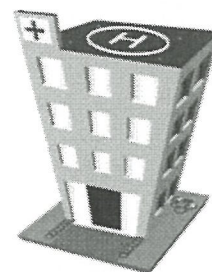


## New Mexico Losing \$417 Million in Healthcare Dollars

### Deep Cuts to Medicaid Will Harm Our Healthcare System, Economy, and Low-Income Families.

Medicaid has been drastically underfunded, resulting in a \$417 million shortfall of combined federal and state funds for the program. The Medicaid cuts will:

- **Jeopardize jobs and our economy** – 4,800 healthcare and social service jobs were created in 2014 due to federal funds from Medicaid expansion, making healthcare and social assistance one of the only growing job sectors in New Mexico's struggling economy.
- **Hurt the healthcare workforce**, which is already struggling with shortages. Hospitals will also see reduced payment rates that will hinder them from hiring and keeping workers.
- **Harm low-income families and shift financial burdens** by requiring them to pay Medicaid fees that prevent them from accessing needed care.



**Medicaid is a solution to New Mexico's budget crisis, not the problem. The state budget is worsening due to tax giveaways and a broken revenue system.**

**MYTH:**  
We can just reduce Medicaid spending.

**FACT:** New Mexico only spends \$92 per month on each person enrolled in Medicaid. Cutting \$400 million from Medicaid and our healthcare system is fiscally irresponsible and will reduce patient access to care. This level of cuts cannot be achieved without cutting healthcare services for low-income patients.

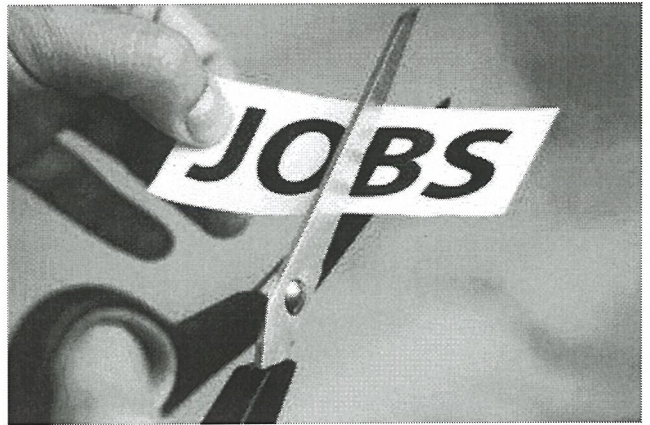
**MYTH:**  
Medicaid is breaking the state budget.

**FACT:** Medicaid expansion brings in surplus revenues to the state. Insurance company taxes alone have  *canceled out*  the costs of expansion. Medicaid injects over \$4.5 billion in federal funds per year into NM's economy, creating new jobs in the private sector and generating revenue for the state. The program also protects residents against financial disaster. NM's budget is in crisis because our state lacks jobs and our revenue system needs reform.

# Slashing Medicaid Will Threaten New Mexico's Leading Sector for Job Growth

While employment has been lagging in our state across most sectors, the health care sector continues to see positive job growth due to Medicaid expansion.

According to the Legislative Council Service, health care jobs accounted for 56% of the new jobs from 2014-2015. According to the Department of Workforce Solutions, health care and social assistance occupations are expected to continue to lead New Mexico in job growth through 2022.

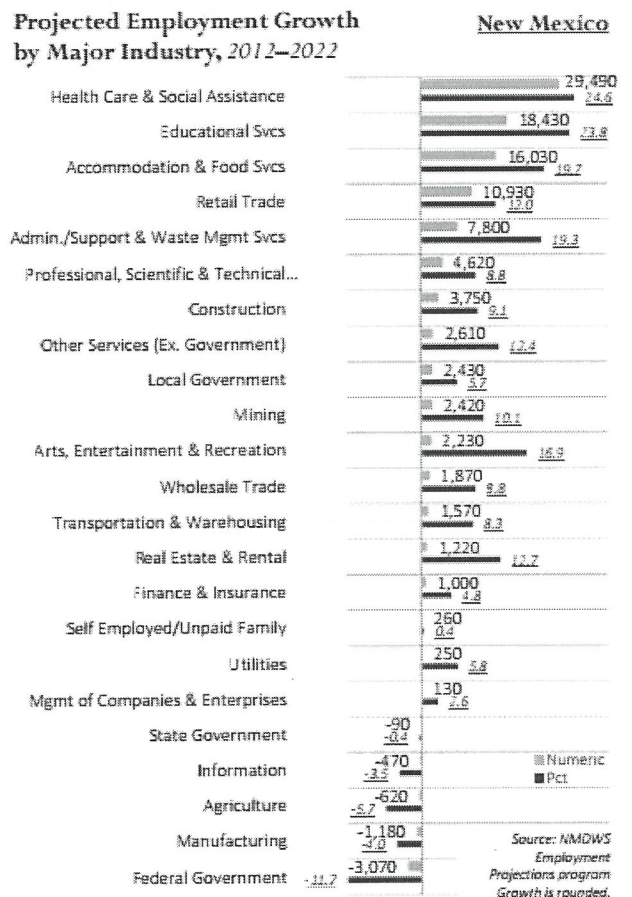


- Healthcare and social assistance jobs represent the largest share of jobs in New Mexico at 16.3% of our total workforce.
- 4,800 jobs were added the healthcare and social assistance sectors in the first year of Medicaid expansion
- Healthcare and Social Assistance is expected to add over 29,000 jobs through 2022. That is 29% of the net projected job growth.

Moving forward with provider payment cuts and benefit reductions will **remove up to \$250 million dollars from our healthcare system and economy.**

**Medicaid cuts threaten job growth and will exacerbate workforce shortages, harming the ability of our healthcare system to meet the significant increase in demand for services.**

Projected Employment Growth by Major Industry, 2012–2022



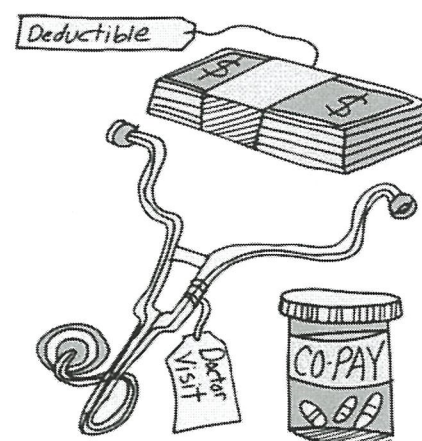


# Medicaid Cuts Will Harm Access to Care and Shift Costs to Low-Income New Mexicans

The Human Services Department (HSD), in accordance with House Bill 2, is aiming to cut **\$100 million** in state and federal funding from Medicaid through benefit changes, including by imposing premium fees and co-pays on low-income patients.

## Medicaid Cuts Harm Access to Care by:

- Requiring cuts to healthcare services
- Worsening healthcare workforce shortages
- Making it harder to find nearby facilities & providers



## Cost Shifting Through Fees and Copays Harms Low Income Patients and Our Healthcare System:

- **Major Loss of Healthcare Coverage:** Numerous studies show that premiums of any amount result in lost coverage because families cannot keep up with the payments.
- **Prevents Access to Essential Healthcare Services:** Studies also show co-pays deter people from seeking necessary care, leading to poor health outcomes and overuse of the emergency room.
- **Costs Add Up and Become Unmanageable for Low-Income Families:** Even co-pay amounts that seem nominal add up for families, especially for children and adults with medical conditions, seniors and people with disabilities.
- **Higher Costs for Medical Providers and Reduced Access to Care for Medicaid patients:** Healthcare providers bear the burden of uncompensated care costs provided to patients that cannot afford the fees. This results in administrative costs and fewer providers willing to take Medicaid patients.
- **Higher Healthcare Costs for the State in Long Run:** Healthcare costs go up for the state due to uncollected co-pays and premiums, untreated and aggravated conditions, increased use of emergency rooms, and uncompensated costs for hospitals and providers. The State will also lose federal matching funds that generate tax revenue and sustain jobs in the medical field.



# Medicaid Expansion Did Not Create Our Budget Crisis

## Impact of Medicaid Expansion

(Fiscal years 2014-21)<sup>1</sup>

- +\$248.4 million** (Medicaid MCO Premium tax)
- +\$120.4 million** (Direct healthcare gross receipts taxes)
- +\$68.2 million** (Healthcare personal income taxes)
- +\$328.5 million** (State savings from eliminating SCI)
- \$592.1 million** (State cost for Medicaid expansion)

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**GAIN: \$173.4 million**

**+ other indirect economic impacts**

## Impact of Two Tax Giveaways

(Fiscal years 2014-20)

- \$167.4 million** (Corporate income tax cut)<sup>2</sup>
- \$259.2 million** (Capital gains deduction)<sup>3</sup>

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**LOSS \$426.6 million**

Prepared by the NM Center on Law and Poverty. If you have questions, please contact Abuko D. Estrada, Staff Attorney, at 505-255-2840 or abuko@nmpoverty.org

<sup>1</sup> Data from University of New Mexico Bureau of Business and Economic research report, *Economic and Fiscal Impacts of Medicaid Expansion in New Mexico* pg. 34 (Feb. 2016), available at [http://bber.unm.edu/media/publications/Medicaid\\_Expansion\\_Final2116R.pdf](http://bber.unm.edu/media/publications/Medicaid_Expansion_Final2116R.pdf). The report estimates even higher state savings due to potential NM Medical Insurance Pool reductions, UNM Intergovernmental transfers, and Saffey Net Care Pool changes.

<sup>2</sup> Number consists of data for Fiscal Years 2016-2020 from Fiscal Impact Report, SB 252 – Delay Corporate Income Tax Reductions (2016) and data for Fiscal Years 2014-15 from Fiscal Impact Report, HB 641 (2013).

<sup>3</sup> Data from Fiscal Impact Report, HB 220 – Repeal Capital Gains Deduction (2016). Numbers for Fiscal Years 2017-20 are from estimated revenue chart on page 1. Number used for Fiscal Years 2014-16 (\$37 million per Fiscal Year) was arrived at by averaging the FY 2017-20 numbers. That is consistent with explanation on page 2 of the average expenditure for the reduction during Fiscal Years 2010-14 (\$35 million).





# New Mexico Needs to Raise New Revenue

## Potential Revenue

Given New Mexico's sluggish economy, the ineffectiveness of tax cuts to stimulate job growth, and the crash in oil and natural gas prices, it's clear the state's revenue problem isn't going away soon. The budget for education, health care, and other essential public services is already dangerously thin. It's time for New Mexico to raise new revenue.

There are many ways to raise new revenue and bolster our economy:

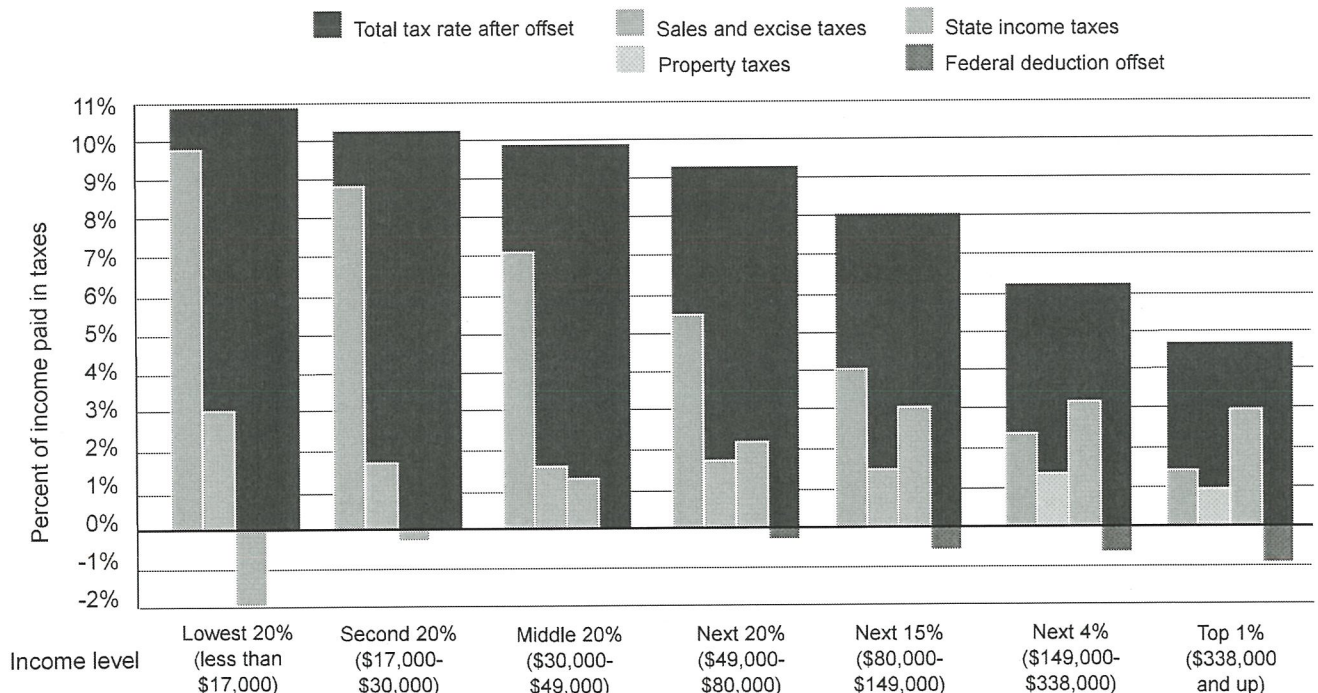
- **Freeze the corporate income tax cuts** – The big corporate tax cut of 2013 phases in over 5 years and will cost the state \$20 million a year when fully phased-in. We could freeze the corporate tax rates where they are now and save millions during the freeze.

- **Freeze the tax break for manufacturers** – At the same time the corporate income tax rate was cut, we changed the formula (called the Single Sales Factor) for the way manufacturers were taxed, essentially eliminating their tax responsibility. The phase-in could also be frozen so we don't continue to lose revenue.

- **Raise the personal income tax rate for those at the top** – New Mexico cut the personal income tax rate by nearly half for filers with incomes over \$100,000 back in 2003. Not only would raising the rate for this bracket bring in much-needed revenue, but it would make our tax system more fair for low-income families, who currently pay the highest percentage of their income in state and local taxes—thanks, in part, to the 2003 rate cut.

## NEW MEXICO'S TAX SYSTEM ALREADY LEANS TOO HEAVILY ON THOSE WITH THE LOWEST INCOMES

State and local taxes paid by New Mexicans as a portion of their incomes (by quintile)



Source: *Who Pays?*, The Institute on Taxation and Economic Policy, 2015  
 Note: Table shows permanent law in New Mexico enacted through December 31, 2014 at 2012 income levels  
 NEW MEXICO VOICES FOR CHILDREN



# New Mexico Needs to Raise New Revenue

- **Raise alcohol and tobacco taxes and include e-cigarettes** – These taxes could both increase revenue and act as a deterrent to young people using products that are harmful to their health.

- **Require all out-of-state corporations to pay income tax on their profits in New Mexico** – New Mexico is one of the few states that still allows out-of-state corporations to move their New Mexico profits to another state to avoid paying taxes here. Not only are we losing millions in tax revenue, but this practice is unfair to New Mexico mom and pop businesses that pay their taxes. A partial fix (called Mandatory Combined Reporting) to this was enacted in 2013, but it exempted many profitable corporations such as banks.

- **Extend the gross receipts tax to more internet sales** – Businesses with brick-and-mortar components in New Mexico already pay gross receipts taxes on their internet sales here, but the exemption for those business that don't still drains a lot of revenue from the state and puts local retailers at a competitive disadvantage.

- **Reduce or eliminate the capital gains deduction** – Enacted in 2003, the capital gains tax deduction slashed in half the amount paid on this unearned income. This means that income from wages is taxed at a higher rate than income from investments. Most of this tax cut goes to New Mexicans earning more than \$200,000.

- **Enact a new tax on diesel fuel** – A large portion of this tax would be paid by out-of-state entities like interstate trucking companies.

- **Enact a temporary increase in the gas tax** – While gas prices are low, New Mexico could enact a temporary hike in the taxes we pay at the pump. The tax could be set to automatically sunset if fuel prices rise to a certain level.

- **Increase the tax on the sale of new motor vehicles** – New Mexico's excise tax on motor vehicles is lower than the general sales tax on most other goods purchased in the state. It's also lower than

in surrounding states, and could stay lower even if this proposal is put into effect.

- **Decouple from certain federal income tax provisions** – When the federal government makes changes to the income tax code, those changes often affect state tax codes unless states take action. New Mexico could decouple from two current federal rules: bonus appreciation and the cancellation of indebtedness provision of the American Reinvestment and Recovery Act; as well as one potential rule: a deduction for domestic production activities.

- **Enact a health care provider assessment** – Instead of facing cuts in Medicaid reimbursement rates, many health care providers would prefer to be assessed a provider fee. The money collected could then be added to the state's Medicaid budget, allowing the state to draw down the federal matching money.

- **Require a tax expenditure budget in statute** – A tax expenditure budget allows legislators to see the hundreds of tax exemptions, deductions and credits they have enacted over the years. This makes it easier to review tax expenditures for their cost-effectiveness and repeal those that do not grow the economy. While the Taxation and Revenue Department does produce a tax expenditure budget under executive order, requiring one under state law would give legislators more authority over which expenditures are studied.

- **Require sunset provisions in all tax cuts, exemptions, deductions, and credits** – When Congress passes tax cuts, they always include a sunset, meaning they expire after a certain amount of time unless Congress acts to reauthorize them. This allows Congress to evaluate tax cuts and let those that do not have the desired economic impact to expire. New Mexico lawmakers have begun to add sunsets to their tax cuts, but Governor Martinez has been vetoing the sunset provisions. If a sunset was required under statute, the Governor could not veto it.

## The Bottom Line

Every year, as we continue to give away much-needed revenue in the form of ineffective tax cuts, New Mexico must revisit this choice: do we protect tax cuts for corporations and the rich and continue to underfund critical services like health care and education or do we raise new revenue and invest in the programs that make New Mexico's people and economy strong and healthy?

***The answer seems obvious: We invest in New Mexico.***



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