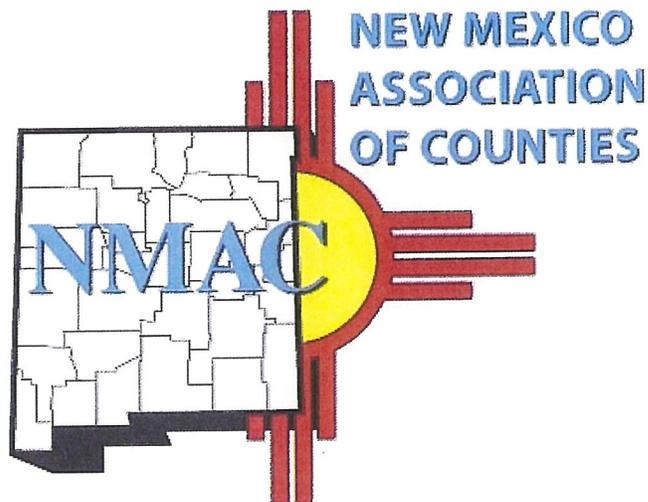


Legislative
Health & Human Services
Committee



Steve Kopelman, Executive Director
New Mexico Association of Counties
September 11, 2014
Elephant Butte, New Mexico

NEW MEXICO ASSOCIATION OF COUNTIES OUTLINE

- NMAC Priority Resolution on SB 268 Hospital Funding
- Summary of Effect of SB 268 et.al. on County Government
- Safety Net Care Pool & Impact on San Juan County
- NMAC Tax Reform Initiative

Healthcare Policy Committee

Resolution on SB 268/Hospital Funding

WHEREAS, New Mexico counties care greatly about health care for their local citizens and value their local hospitals, particularly in rural areas; and

WHEREAS, counties have long played an integral role in providing health care services for their indigent residents; and

WHEREAS, for nearly 20 years counties have worked collaboratively with their local community hospitals in helping fund the Sole Community Provider program and in coordinating health care for their local citizens; and

WHEREAS, the Sole Community Provider program has now been replaced by the Safety Net Care Pool (SNCP), which provides funding for community hospitals for Medicaid base rate increases and uncompensated care for Medicaid patients; and

WHEREAS, the counties' role under the SNCP has been significantly diminished and their financial contribution to the SNCP no longer has any relationship to the funds disseminated by the Human Services Department (HSD) to the counties' respective community hospitals; and

WHEREAS, information provided by HSD regarding the SNCP has been confusing and often contradictory, and the distribution formula to community hospitals has been inequitable and difficult to ascertain; and

WHEREAS, finding a solution to funding the SNCP requires communication and cooperation among the various stakeholders—counties, hospitals, and the state, in both the legislative and executive branches; and

WHEREAS, the SNCP is part of the federal Medicaid program, and is therefore a state responsibility that should be fully funded by the state; and

WHEREAS, SB268, as passed by the legislature in 2014, required most counties to contribute the equivalent of a 1/12th % gross receipts tax (grt) increment to the SNCP, and was intended to be a three-year interim solution for funding that program; and

WHEREAS, the Governor's line item veto of the three-year limitation on county funding of SNCP will result in unlimited long term county financial responsibility for the program that will ultimately cost the counties hundreds of millions of dollars; and

WHEREAS, that long term county financial responsibility was neither authorized nor intended by the legislature in SB 268.

NOW THEREFORE BE IT RESOLVED THAT the New Mexico Association of Counties supports legislation that would accomplish one or more of the following:

- 1) increase the state budget to fully fund the new SNCP and amend SB268 to remove counties' responsibility to fund the SNCP;
- 2) transfer the new county 1/12th grt to the state to fund the SNCP;
- 3) consolidate particular existing county local option grt increments that are in many cases unused and unusable, and de-earmark others;
- 4) authorize a state hospital bed tax, the proceeds of which could be used to fund the SNCP, to be matched with federal funds;
- 5) to develop solutions that would remove the financing of Medicaid from counties and place that responsibility with the state.

BE IT FURTHER RESOLVED THAT the New Mexico Association of Counties' Board of Directors authorizes the NMAC Healthcare Policy Committee to work collaboratively and in consultation with the NMAC Executive Committee to flesh out priority solutions with the Governor's office and Legislative leadership.



Health Care Policy Committee Chair

7/25/2014

Date

SUMMARY OF EFFECT OF SB 268 et.al. ON COUNTY GOVERNMENT

- Counties (other than Bernalillo and Sandoval) are required under Section 16(A) to pass an ordinance that takes effect July 1, 2014, which dedicates to the new state Safety Net Care Pool fund an amount equal to a gross receipts tax rate of 1/12th percent applied to the taxable gross receipts reported during the prior fiscal year. A county may use public funds from any existing authorized revenue source for such purpose.
- Section 16(B) provides that counties subject to the bill shall transfer to the safety net care pool fund by the last day of March, June, September and December of each year an amount equal to 1/4th of the county's payment to the state Safety Net Care Pool Fund. Thus, the first payment under SB268 is due on the last day of September 2014.
- Under Section 3(D) of the bill, counties subject to the bill are authorized, until June 30, 2017, to enact an ordinance imposing an excise tax of 1/16th percent or 1/12th percent of the gross receipts of any person engaging in business in the county. This is a general purpose increment.
- The wording in Section 3(D) indicates that the tax does not sunset on June 30, 2017. Rather, the county must enact an ordinance imposing the tax no later than June 30, 2017, but the bill does not provide that the tax is only effective until such date. This appears to be the case although language in the title of the bill references a three-year limit on imposition of the tax.
- The Governor line item vetoed the provision in Section 16(A) which limited the ordinance requiring transfers to the safety net care pool fund to a three-year period (July 1, 2014 through June 30, 2017). The three-year sunset clause was a major provision of SB268. **NMAC has serious concerns that the original limited appropriation mandated by the legislature to county government of approximately \$27 million annually for a fixed three year period, could now cost counties that much each year for an undetermined and unlimited period of time. Thus, for a ten year period, the counties will be obligated to pay an additional amount totaling over \$270 million!**

Safety Net Care Pool and Impact on San Juan County
Presentation to the Legislative Health and Human Services Committee
Liza Gomez Akley, HCAP Coordinator, San Juan County
September 11, 2014



San Juan County Indigent Health Care Program – Historically

- The Indigent Health Care Program was funded from the 2nd 1/8th GRT increment which was dedicated to the “support of indigent patients who are residents of the county”. In FY 2015 the 2nd 1/8th increment is projected to generate \$4.3 million.
- San Juan County pays the equivalent of the 1/16th GRT to the County Supported Medicaid Fund from that 2nd 1/8th GRT.
- The Sole Community Provider program along with matching contributions from the hospital created a robust safety net which paid over \$1 million dollars for inmate medical care.
- The Indigent Health Care Program covered a wide range of services to the indigent residents of San Juan County, including hospital, ambulance and substance abuse treatment, home health and hospice services

Impact of SB268 to San Juan County

- The Indigent Program, now called the Health Care Assistance Program, continues to be funded through the 2nd 1/8th GRT increment
- San Juan County still has the obligation of the 1/16th equivalent for the County Supported Medicaid Fund estimated to be \$2.1 million dollars.
- San Juan County now has an additional obligation of a 1/12th equivalent for the Safety Net Care Pool estimated to be \$3 million dollars.
- San Juan County obligations alone exceed available funding by \$800,000 without consideration of an indigent program to the residents of the county.
- The San Juan County Commission adopted significant changes to the Indigent Program, reducing funding to providers by over 53% and changes that would result in fewer people qualifying for assistance.
- The Health Care Assistance Program is estimated to cost approximately \$4.2million, half of which had previously been paid for out of the Sole Community Provider Program.
- There remains a shortfall of \$1,000,000 for inmate health care that was previously funded by the Sole Community Program.
- Overall, San Juan County is facing a deficit of approximately \$6 million dollars.
- Without a tax increase, the limited available funding for an assistance program in FY15 is expected to be depleted by December 2014 and there will be no assistance program in FY16.
- Elimination of the program would be catastrophic to providers and to the citizens, resulting in loss of jobs and loss of services to the indigent, including mentally ill residents.
- Over the past 5 years, San Juan County has cut budget by \$51 million dollars and reduced the workforce by over 8%.
- As a result of state actions, San Juan County is forced to either raise taxes or eliminate services.