The Economic Benefits of Health Care Reform in New Mexico

Executive Summary

Updated August 2012

Federal health care reform, known officially as the Affordable Care Act (ACA), will have an enormous positive economic impact on New Mexico. The benefits have already begun as provisions have gone into effect, but they will accelerate dramatically in 2014 when implementation of the law is complete and the major influx of new federal funding begins.

Tax Credits

Under the ACA the state will have a health care insurance exchange where individuals and small businesses can compare insurance rates and benefits across a variety of plans. Starting in 2014, new federal funds will subsidize the purchase of private insurance on this exchange for New Mexicans who cannot afford the full cost of the premiums. Small employers in New Mexico are already eligible for tax credits to help them purchase health insurance for their employees. These tax credits and subsidies for individuals and employers will result in a significant inflow of federal funds into New Mexico—with the individual credits estimated at between $4.2 billion and $4.6 billion between 2014 and 2020.

Medicaid Expansion

In 2014, a big expansion of Medicaid—to be paid for almost entirely out of federal funds—will pump billions more into New Mexico. New federal Medicaid spending for 2014 through 2020 is projected to be between $4.5 billion and $6.2 billion.

Medicaid and private insurance payments to doctors and other providers translate into more jobs for all health care workers. This spending will also have outward reverberations, increasing employment in those industries that supply goods and services to health care providers, such as janitorial services and medical equipment manufacturers. Even more jobs are created when the new employees of these businesses spend their money locally.

We estimate that the ACA will ultimately generate between $13 billion and $17 billion in new economic activity, and between 32,000 and 38,000 new jobs in New Mexico. Much of this economic activity will be subject to state and local taxes. Our companion paper, *The Tax Revenue Benefits of Health Care Reform in New Mexico*, estimates that the new tax revenue will far exceed the new spending required by the state for the Medicaid expansion.

Other Benefits

By 2020, the majority of New Mexicans who currently do not have insurance will be covered, which should also benefit the state economically in terms of improved worker productivity. The costs of uncompensated care, which are currently borne by the state and counties, as well as those who already have private insurance, will greatly decrease. This will help not only slow the increase in premiums, but any disadvantage we might have in economic development because of our high premiums could disappear.

Low and High Estimates of Economic Activity (in millions) and Jobs Generated by the ACA, 2014-2020

		2014	2015	2016	2017	2018	2019	2020
Economic Activity	Low	$660	$1,485	$1.984	$2,201	$2,373	$2,535	$2,527
	High	$831	$1,934	$2,549	$2,838	$2,971	$3,138	$3,184
Jobs Created	Low	7,559	16,972	22,162	25,715	28,614	31,466	32,042
	High	9,910	22,003	27,761	31,776	34,792	37,731	38,792

Source: Calculation by NM Voices for Children using IMPLAN software.

This summary and the full report were generously funded by First Focus, Voices for America's Children, and the David and Lucile Packard Foundation. It is available at www.nmvoices.org.

NEW MEXICO VOICES FOR CHILDREN

Compendium of Recommendations Regarding
Developing the New Mexico Health Care Workforce – some are repeated
October 29, 2013

LFC Report Recommendations – 2013

1. New Mexico's healthcare licensing boards should conduct a comprehensive review of all healthcare professional practice acts to judiciously reduce barriers to workforce expansion.
2. The New Mexico Medical Board should revisit the scope of practice for PAs to allow these professionals the same degree of independence that NPs are allowed in the state. PAs should be allowed this independent practice status after completing three to five years of clinical supervision by a physician.
3. The New Mexico Dental Board should coordinate planning that will provide programs to train dental hygienists in the expanded practice skills that are now allowed in administrative rule.
4.The New Mexico Psychological Board should examine the regulatory steps required to become a full-fledged prescribing psychologist to reduce the two years that are currently required as a "conditional" prescribing psychologist. After training, completing 400 hours of clinical supervision, and passing the required examination, prescribing psychologists should be allowed to practice in consultation with a primary care physician.
5. The New Mexico Regulation and Licensing Department should explore rules to expand the number of mental health masters degrees that qualify for supervision and licensure – using Arizona, Oregon and Colorado as examples.
6. The New Mexico Regulation and Licensing Department should consider ways to streamline the requirements for mental health counselor reciprocity with other states to facilitate adding experienced professionals to the New Mexico workforce and study ways to expand the capacity for clinical licensure supervision – including the creation of rules to allow the supervision of master's level therapists (LPCCs and LMSWs) to take place via telecommunication technology at sites where a licensed supervisor cannot be physically present.
7. The New Mexico Legislature should revisit the concept of dental therapists as an additional way to provide dental care to underserved areas, under the direction of supervisory dentists.
8. The New Mexico Legislature should create a single state-wide credentialing agency for healthcare professionals and require that all healthcare insurers operating in the state use the agency for credentialing purposes.
9. New Mexico's public major institutions should not require all NPs to earn a doctorate degree. In addition to the emerging Doctor of NP degree program, New Mexico's public institutions should maintain master's-level clinical nursing programs to ensure an adequate supply of NPs providing direct care.

NM Health Policy Recommendations – 2011 Report

1. Expand New Mexico Health Services Corps to provide additional stipends and community contracts to encourage rural practice
2. Expand the New Mexico Health Professional Loan Repayment Program
3. Expand the New Mexico Loan-for-Service Program
4. Establish a Primary Care Physician conditional tuition waiver program
5. Promote legislation to tax alcohol, tobacco or sugared soft drinks to fund healthcare loan reimbursement programs
6. Explore ways to promote a more diverse healthcare workforce
7. Expand the number of federally subsidized Graduate Medical Education residency slots
8. Support the development of mid-level oral health providers
9. Promote legislation to create 60 lottery scholarship slots for NPs and PAs who agree to work in NM for 3 years
10. Create a state entity to coordinate health professional workforce needs and efforts
11. Support efforts to track the health workforce
12. Expand New Mexico mid-level provider training program

Jerry Harrison's (NMHR) Recommendations to LHHS on October 2, 2013

- Increase funding for active recruitment under RPHCA
- Increase NMHED Health Professional Loan Repayment funding and WICHE
- Restore funding to the NM Health Service Corps especially for retention
- Examine additional disciplines for the Rural Health Provider Income Tax Credit

From Art Kaufman, UNM Recommendations to LHHS on October 2, 2013

1. Expand HEROS program from current 10 sites to 15 sites
2. Utilize General Funds to supplement GME and community funds for expanding Rural Family Medicine and Rural Psychiatry Residencies
3. Develop a proposal to HSD to allocate Medicaid funds for primary care
4. Disconnect expanded training resources from hospital payments
5. Increase base funding for NM Primary Care Training Consortium to $200,000
   - Coordinate Resident Recruitment Retention
   -Assist in program development & expansion
6. Phase in a 50% increase in Family Medicine positions
7. Provide additional general funds for residency expansion beginning in FY16
8. Support expansion of other critical workforce needs; Psychiatry, general surgery, dental, PAs and nurse practitioners

The Tax Revenue Benefits of Health Care Reform in New Mexico

Executive Summary

Updated August 2012

The Affordable Care Act (ACA) of 2010 will have an enormous positive impact on New Mexico. Billions in federal funding will flow into New Mexico as part of an expansion of Medicaid and as tax credits and subsidies that will help people with their insurance premiums, co-pays, and deductibles. Our companion paper, *The Economic Benefits of Health Care Reform in New Mexico*, estimates that this influx of money will create billions in economic activity and thousands of jobs.

The Medicaid expansion will require some new state General Fund spending—estimated by the Human Services Department at between $320 and $496 million in the seven years from 2014 to 2020. However, that investment will be more than offset by new state tax revenues—estimated at between $693 and $953 million—from the economic activity that the federal funding will stimulate. The additional revenue—between $373 and $457 million over seven years—will go into the state General Fund. In addition, local governments will get between $165 and $229 million in new tax revenues over the same period.

Insurance Premiums Tax

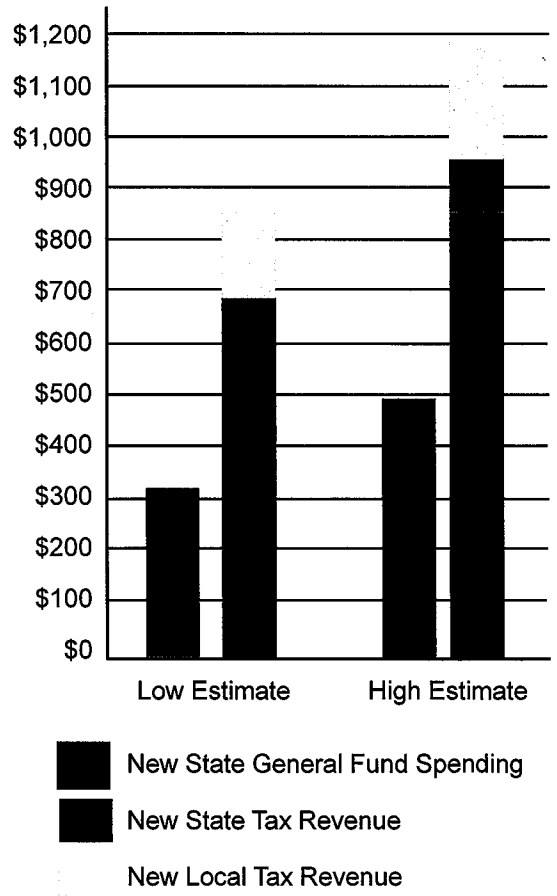
New Mexico currently exempts health insurance premiums from the gross receipts tax (GRT) and imposes a separate 4.003 percent Insurance Premiums Tax (IPT) on them instead. Premium subsidies provided under ACA are paid directly to the insurer who applies them to the health insurance premiums of the qualified enrollee. Because they are part of a premium payment, they will likely be subject to the IPT.

Other Tax Revenue

The ultimate tax treatment of other funds—such as those used for cost-sharing subsidies for insurers, Medicaid Fee-for-Service, and business tax credits—remains less certain. A general methodology that compares general fund tax revenue from non-extractive sources to personal income was used to estimate the general fund revenue impact of these new federal inflows. In this paper, cost-sharing subsidies and Medicaid Fee-for-Service are assumed to be taxed at a statewide average effective tax rate of 5.23 percent and a local average effective gross GRT rate of 1.09 percent.

In addition to these benefits to the state, ACA will also reduce the net federal deficit over the next two decades.

Graph I
Low and High Estimates of New State Spending and New Tax Revenue Due to ACA, 2014-2020 (in millions)



Source for New State Spending: NM Human Services Department

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