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## FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 2/5/03 HB 163

SHORT TITLE: Physicians Gross Receipts Deduction SB \_\_\_\_\_

ANALYST: Smith

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(20,700.0)	(22,600.0)	Recurring	General Fund
	(18,100.0)	(19,700.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Responses Received From

**TRD**

### SUMMARY

#### Synopsis of Bill

House Bill 163 adds a new section of statute to provide a gross receipts tax deduction for receipts of physicians licensed pursuant to the Medical Practice Act (Chapter 61, Article 6 NMSA 1978). The proposal also amends Section 7-9-77.1 NMSA 1978 to delete language allowing the deduction for Medicare receipts of medical doctors and osteopaths.

### FISCAL IMPLICATIONS

TRD reports that the fiscal impact was derived using the 1997 Census of Healthcare Services in New Mexico, the Department's "Analysis of Gross Receipts by Standard Industrial Classification" (Report-80), "Combined Reporting System Warrant Distribution Summary" (Report 490B) and state Medicare and Medicaid expenditure data from the Centers for Medicare and Medicaid Services (CMMS).

### CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB-35 and SB-63 provide deductions for certain receipts of health practitioners paid by managed care providers; SB-158 provides a deduction for food and health practitioner services.

## TECHNICAL ISSUES

TRD notes an unintended consequence. The bill specifies the deduction shall apply to physicians licensed pursuant to the Medical Practice Act. Osteopathic physicians are not licensed pursuant to the provisions of the Medical Practice Act; Section 61-6-17 (Exceptions to the Act) specifically excludes them from those provisions. Osteopathic physicians are licensed pursuant to Chapter 61, Article 10 NMSA 1978 (Osteopathic Medicine and Surgery). The proposal also deletes the reference to osteopaths in Section 7-9-77.1, which currently provides the Medicare deduction. The combined effect of the two provisions is that osteopathic physicians would be ineligible for the proposed deduction, and would also lose their current deduction allowed for Medicare receipts.

According to the Osteopathic Medical Association, osteopathic physicians represent 6% of the U.S. physician population. Thus, assuming Medicare deductions for doctors and osteopaths in fiscal year 2004 will total approximately \$120 million in the absence of this proposal, eliminating the Medicare deduction for osteopathic physicians results in a positive fiscal impact component of approximately \$436 thousand (state and local) included in the above estimate.

SS/yr