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## FISCAL IMPACT REPORT

SPONSOR: Ingle DATE TYPED: 3/13/03 HB \_\_\_\_\_

SHORT TITLE: Home Health Agency Gross Receipts SB 702

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(\$1,630.0)	(\$1,780.0)	Recurring	General Fund
	(\$1,090.0)	(\$1,190.0)	Recurring	Local Govern- ments

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to  
HB 625 Home Health Care Gross Receipts Tax

### SOURCES OF INFORMATION

LFC files

Responses Received From  
Taxation and Revenue Department (TRD)  
Health Policy Commission (HPC)  
Human Services Department (HSD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 702 amends the Gross Receipts and Compensating Tax Act (NMSA 1978, 7-9-77.1) to provide a gross receipts tax deduction for receipts of a home health agency for services given to Medicare beneficiaries. The bill also includes language clean-up for the definition of "osteopathic physician."

## **FISCAL IMPLICATIONS**

TRD notes the following fiscal impact:

Data from the 1997 Economic Census of Health Care and Social Assistance and the department's "Analysis of Gross Receipts by Standard Industrial Classification" was used to derive a taxable gross receipts base of \$137 million for FY 2004. Data from the CMMS indicates that Medicare payments account for approximately 36% of New Mexico home health agency receipts. Thus the fiscal impact assumes \$49 million of Medicare receipts would qualify for deduction.

## **ADMINISTRATIVE IMPLICATIONS**

Minimal from the processing point of view. This is an audit and education issue

## **OTHER SUBSTANTIVE ISSUES**

HPC provided the following background:

### **Home Health Agencies**

- According to the National Association of Home Care, "Home care" is a simple phrase that encompasses a wide range of health and social services. These services are delivered at home to recovering, disabled, chronically or terminally ill persons in need of medical, nursing, social, or therapeutic treatment and/or assistance with the essential activities of daily living.
- Nationally, more than 22,000 agencies provide home care services to over 8 million patients because of physical disabilities, long-term health conditions, dementia, or terminal illnesses.
- National spending for home health care has risen from \$3.5 billion in 1990 to \$36 billion in 1999.

### **Home Health in NM**

- The Department of Health currently licenses 98 home health agencies.
- There are 56 Medicare certified home health agencies in New Mexico (New Mexico Medical Review Association).
- In 1998, there were 3,837 home health workers in New Mexico. This included personal care aides, home health aides and nurse aides. The profession grew during the 1990s at a 190% rate. (Health Resources and Services Administration).
- 6% of all New Mexico's health care workers provide home health services, the same as the national rate.

### **Other issues**

- Home health agencies provide a range of critical services that allow many New Mexicans

to stay at home when they are ill, and out of institutions when they have long-term health issues. Remaining in their homes generally contributes to quality of life for most patients, and also reduces hospital and nursing home expenses that can drain individual financial resources.

- A reduction in the gross receipts tax on health services provided by home health agencies would relieve home health agencies from costs that cut into the financial viability of these agencies.
- Home health care staff includes some nurses, and a larger number of home health aides. This group of health workers is one of the lowest paid categories in health care, and while many aides report great job satisfaction, frequent turn-over is the result of low wages and difficult working conditions. Frequent turn-over in basic care staff creates a break in the continuum of care for long-term care patients, with potential negative health impacts.
  - A reduction in tax liability may allow home health agencies to provide funds for better wages and training for their staff, addressing retention and recruitment issues.
  - Additional funds available for employee training and salaries may encourage experienced employees to stay in the home health profession.
- New Mexico and Hawaii are the only two states that have a gross receipt tax on health care services. This puts New Mexico at a disadvantage relative to surrounding states for recruiting and retaining health care providers.
- In addition, the gross receipt tax may hinder investment in the State for the home health industry.

**SN/yr**