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FISCAL IMPACT REPORT

ORIGINAL DATE 1-30-06

SPONSOR Moore LAST UPDATED _____ HB 304

SHORT TITLE Rural NM Health Care Worker Shortage SB _____

ANALYST Collard

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$5,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 259, SB 284, HB54, HB95, HB190, HB215, HB221, HJM4, HB203, HB264, SB83, SB163, SB180, and SB192

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$70.0	\$70.0	\$140.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 304 appropriates \$5 million from the general fund to DOH for the purpose of providing assistance in addressing the shortage of health care professionals in rural areas of New Mexico.

FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a recurring expense to the general fund.

Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

SIGNIFICANT ISSUES

DOH indicates the bill would provide additional funds to DOH to address health professional shortage areas and to seek methods by which to improve the number of health professionals in rural areas. The Office of Primary Care/Rural Health currently administers the New Mexico Health Service Corps, funded through state general funds to provide stipends for loan repayment in Medically Underserved Areas (MUAs).

Many rural areas of the state are considered Health Professional Shortage Areas (HPSAs), designated as such by the federal government. Currently 31 of New Mexico's 33 counties are designated as HPSAs. This designation provides a prerequisite to apply for National Health Service Corps. In addition to HPSA designation, many communities are considered Medically Underserved Areas or MUAs. This designation is a prerequisite to federal grant awards, generally associated with community health centers.

HPC indicates the bill addresses a long standing, difficult problem in rural New Mexico with the shortages and availability of health care professionals. Almost every health professional that is licensed in New Mexico is in short supply in most rural locations of the state. This includes physicians, dentists, nurses, dental hygienists, physical therapists, pharmacists, radiological technologists, dieticians, optometrists, medical technologists, audiologists, occupational therapists, mental health professionals, social workers, and EMT-Paramedics as well as others.

HPC further notes the state has placed limited resources within DOH and, on an absolute and inflation adjusted basis, has decreased the budget going to New Mexico Health Resources, the agency the state has contracted with for health professional recruitment, from \$262 thousand in 1991 to \$200 thousand this fiscal year. This bill dramatically increases state resources that DOH would have to utilize in the recruitment and retention of health professionals statewide.

ADMINISTRATIVE IMPLICATIONS

DOH indicates funding would be distributed through contractual arrangements. One additional FTE, averaging \$60 thousand, and administrative support of \$10 thousand for computers, space, computer licenses, etc., would be required to manage an appropriation of this size.

RELATIONSHIP

House Bill 304 relates to House Bill 259 and Senate Bill 284 both of which would appropriate \$1,280 thousand from the general fund to the Higher Education Department to increase the loan award amount per student from \$12.5 up to \$80 thousand from the Health Professional Loan Repayment Program. Additionally, House Bill 304 relates to House Bill 54, which expands nursing programs, House Bills 95, 190, 203, 215, 221 which deal with nursing programs and joint degrees at various universities, and House Bill 264, to expand dental residency programs. House Bill 304 relates to House Joint Memorial 4, which defines rural school and rural school districts. Finally, House Bill 304 relates to Senate Bill 83 for dental hygiene programs, Senate Bills 163 and 192, which deal with nursing programs and joint degrees at various universities, and Senate Bill 180 to increase dental education slots.

TECHNICAL ISSUES

HPC indicates the bill does not define “rural,” nor does it define “provider.” A rural area such as Los Alamos has few, if any, shortages of health care professionals except for maybe a few select specialists. Would a rural area such as Los Alamos qualify for these funds? Under the bill as written, Corrales may be defined as a rural area though it is in very close proximity to Albuquerque, a city with minimal shortages.

Additionally, would every provider or only licensed providers be eligible for funds? Who would be considered a provider of health? The bill needs specificity in this area.

Finally, HPC notes there are existing definitions of “shortage” which could be incorporated into the bill.

OTHER SUBSTANTIVE ISSUES

HPC indicates, in the coming decade, the need for health services will continue to rise, possibly rapidly, as New Mexicans age and expectations for health care grow. The supply of health care workers is unlikely to keep pace with this demand as the workforce itself ages and as career opportunities continue to expand for women, who make up the vast majority of workers in many health professions. Shortages are already serious today and are contributing to decreased access, decrease quality, and result in higher costs of care. The current shortages are a warning for the future. The shortages are likely to worsen as the baby boom generation begins to reach age 65 in 2010 and more and more health professionals retire.

Historically, New Mexico has relied on the marketplace to produce enough health professionals and on the education and health sectors to assure that the workforce has the appropriate knowledge and skills. The state government has played several important roles related to the workforce, such as supporting public higher education, financing services through Medicaid, and licensing many health professions. Yet the state government does little health workforce planning and given the seriousness of the shortages has actually devoted fewer resources to recruitment and retention activities. While there has been substantial emphasis on educating and training of especially physicians and nurses, the return on the monies the state has invested in workforce development is marginal at best because of the exodus of new graduates and existing providers. This is particularly true for the rural areas of New Mexico.

HPC research indicates, depending upon what set of assumptions are utilized, the state is short between 300 and 500 physicians today (Blue Ribbon Tax Reform Commission 2003). The national rate of total physicians per 1000 population is 2.42 (excluding residents)-2000 average benchmark. The New Mexico rate is 1.69 (2002 data). Only Bernalillo (2.91) and Los Alamos (2.92) counties exceeded this rate with Santa Fe County next at 2.23. The rest of New Mexico’s counties are below 1.7 physicians per 1,000 population (Source: *Physician Supply in New Mexico* 2003, HPC).

According to the New Mexico Center for Nursing Excellence’s *2006 Nursing Fact Sheet*, “as of 2005 there are 14,736 registered nurses (RNs) and 2,977 licensed practical nurses (LPNs) with New Mexico residency. The New Mexico nursing workforce has increased by 13 percent since 2001. However, over 44 percent of RNs and LPNs are over age 50 (up from 41 percent for RNs

and 43 percent for LPNs in 2004). This means 44 percent of the New Mexico workforce will need to be replaced over the next 15 years. In comparison, the national average age of nurses is 46.2 years.”

Center data also show that it was predicted in 2000 that “40 percent of the national nurse workforce would be over age 50 by 2010. New Mexico exceeded that mark. Additional nurses will be needed for the increased demand of a growing population (35 percent growth between 2000 and 2020) and a higher percentage of elderly (population over age 65 increasing by 74 percent between 2000 and 2020). 94 percent of the New Mexico RN workforce and 93 percent of the LPN workforce are currently employed in nursing full or part time (91 percent in 2004).”

The New Mexico Department of Labor predicts “the state will need an additional 4,520 RNs and 680 LPNs by 2012.”

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HPC states the connection between an absence of health personnel and increases in health insurance premiums may seem incongruent. However, hospitals and other providers have increased charges to cover, in part, the cost of nursing and other personnel that are in short supply. The rate changes get passed on eventually to health insurance premiums that are increasingly unaffordable. If businesses drop health insurance because of the costs and let their employees become Medicaid eligible, if they are eligible or become uninsured, then the state ultimately pays for the increase in Medicaid beneficiaries or uninsured. Either way, this is a “pay now or pay later” scenario for the state. It appears that paying now would be much less expensive in the long term.

KBC/mt