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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 08/18/08 **HB** 19/aHAFC

SPONSOR Varela

SHORT TITLE Sole Community Provider Fund **SB**

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
\$5,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
Up to \$13 million			Recurring	Federal Medicaid

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of HAFC Amendment to House Bill 19

The House Appropriations and Finance Committee amendment to House Bill 19 follows:
 On page 1, line 21, after imposed strike the remainder of the line, strike all of lines 22,23 and 24 and strike line 25 through “1978” and insert in lieu thereof “the second one-eighth increment of the county gross receipts tax.”

The amendment clarifies a contingency for qualifying for participation in the appropriation.

Synopsis of Original Bill

House Bill 19 appropriates \$5 million from the General Fund to the Sole Community Provider Fund to match federal funds available in the sole community provider supplemental allocation for counties that are unable to fund fully the supplemental match for counties that are unable to fund fully the supplemental match. Allocation of this appropriation is contingent on participating counties having imposed all authorized gross receipts tax increments authorized by the County Local Option Gross Receipts Taxes Act, the Indigent Hospital and County Health Care Act or Section 4-38-17.1 NMSA 1978 but that still do not have sufficient revenue to match

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 FY09 shall revert to the General Fund. The \$13 million referred to as potential federal Medicaid revenue is the amount that could be available if the entire \$5 million appropriated in HB19 is used for this purpose and the federal allotment is large enough to accommodate this matching level.

SIGNIFICANT ISSUES

The Sole Community Provider Program is a federal/state payment program designated for hospitals that are the only hospital in a community. If a hospital is the only hospital in a community and the sole source of care for individuals, then it will have unreimbursed operating expenses. The Sole Community Provider Program was created as an acknowledgement that hospitals and hospitals' emergency rooms were often the care provider of last resort and that costs associated with that situation would require additional reimbursement from the federal government. The program was created primarily to promote access to Medicare and Medicaid beneficiaries and also additional payments to sole community provider hospitals that had experienced significant volume decrease, but whose access was critical to local residents.

Generally the county source of funding is from authorized gross receipts tax increments as outlined in 7-20E-9 NMSA 1978 (see Appendix 1). Presently 27 counties are participants helping a total of 27 hospitals in their respective regions. Some hospitals may be supported through this program by more than one county. Only eight counties have imposed all the available tax increments for the purpose of the indigent fund, a criterion for use of the \$5 million. A source of financial difficulty for some counties and concern for the regional hospitals is that the potential federal participation level is increasing faster than the increase in local taxes. This leads to a situation where if the county may not be able or willing to fully fund the Sole Community Provider Program some federal monies may be left unmatched and therefore not paid to the hospitals. Counties have responded with increased payments for the Community Provider Fund and in FY07 jumped to \$44.8 million, 54 percent of the indigent fund total from \$16.3 million, 36.3 percent of the total, just one year earlier. In FY06 the tax increments totaled 37.2 million and in FY08 \$45.4 million, a respectable increase of 22 percent but far below the corresponding Sole Community Provider Fund expenditure increase of 174 percent. However, over these two years what is described as Other Revenues jumped from \$10.9 million in FY06 to \$28.5 million in FY07. Other Revenues are defined as grants, penalties, reimbursement and interest. Specific sources of the income are not available but the revenues do not appear to be recurring or dependable. Two counties have provided county general fund to supplement the total.

Note: The primary source of information regarding the county funds is the FY06 and FY07 County Financing of Health Care reports published by the Health Policy Commission.

TECHNICAL ISSUES

It may be advisable to more clearly define the phrase “but still do not have sufficient revenue to match the supplemental sole community provider allocation.” Since indigent funds may be used for a variety of purposes a county could decide to reallocate and take immediate benefit from the \$5 million. A potential criterion is that to participate in the \$5 million a county’s Sole Community Provider Hospital Fund contribution must not be a lower percentage of the fund total than in prior years. This has the effect of maintenance of effort percentage.

Also, there is an inconsistency in that the Sole Community Provider Hospital fund is non-reverting but HB 19 requires funds unused in FY09 shall revert to the general fund. It may be advisable to appropriate to a reverting agency such as the Human Services Department or the Department of Finance and Administration to make allocations to the fund as necessary to fulfill the purpose of the appropriation.

BW/mt

Attachment

7-20E-9. County gross receipts tax; authority to impose rate; indigent fund requirements.

A. A majority of the members of the governing body of a county may enact an ordinance imposing an excise tax not to exceed a rate of seven-sixteenths percent of the gross receipts of any person engaging in business in the county for the privilege of engaging in business in the county. An ordinance imposing an excise tax pursuant to this section shall impose the tax in three independent increments of one-eighth percent and one independent increment of one-sixteenth percent, which shall be separately denominated as "the first one-eighth increment", "the second one-eighth increment", "the third one-eighth increment" and "the one-sixteenth increment", respectively, not to exceed an aggregate amount of seven-sixteenths percent.

B. The tax authorized in Subsection A of this section is to be referred to as the "county gross receipts tax".

C. A class A county with a county hospital operated and maintained pursuant to a lease with a state educational institution named in Article 12, Section 11 of the constitution of New Mexico enacting the second one-eighth increment of county gross receipts tax shall provide, each year that the tax is in effect, not less than one million dollars (\$1,000,000) in funds, and that amount shall be dedicated to the support of indigent patients who are residents of that county. Funds for indigent care shall be made available each month of each year the tax is in effect in an amount not less than eighty-three thousand three hundred thirty-three dollars thirty-three cents (\$83,333.33). The interest from the investment of county funds for indigent care may be used for other assistance to indigent persons, not to exceed twenty thousand dollars (\$20,000) for all other assistance in any year.

D. A county, except a class A county with a county hospital operated and maintained pursuant to a lease with a state educational institution named in Article 12, Section 11 of the constitution of New Mexico, imposing the second one-eighth increment of county gross receipts tax shall be required to dedicate the entire amount of revenue produced by the imposition of the second one-eighth increment for the support of indigent patients who are residents of that county. The revenue produced by the imposition of the third one-eighth increment and the one-sixteenth increment may be used for general purposes. Any county that has imposed the second one-eighth increment or the third one-eighth increment, or both, on January 1, 1996 for support of indigent patients in the county or after January 1, 1996 imposes the second one-eighth increment or imposes the third one-eighth increment and dedicates one-half of that increment for county indigent patient purposes shall deposit the revenue dedicated for county indigent purposes that is transferred to the county after the distribution pursuant to Subsection C of Section 7-1-6.13 and Subsection C of Section 7-20E-7 NMSA 1978 in the county indigent hospital claims fund and such revenues shall be expended pursuant to the Indigent Hospital and County Health Care Act [27-5-1 NMSA 1978].

History: Laws 1983, ch. 213, § 30; 1986, ch. 20, § 84; 1989, ch. 169, § 1; 1991, ch. 212, § 16; 1978 Comp., § 7-20-3, amended and recompiled as 1978 Comp., § 7-20E-9 by Laws 1993, ch.