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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/10  
 LAST UPDATED 02/08/10

SPONSOR Campos HB 99/aHHGAC/aHAFC

SHORT TITLE Emergency Medical Services Surtax SB \_\_\_\_\_

ANALYST Hanika-Ortiz

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	(\$7,220.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE (dollars in millions)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
\$8.660.0	\$9.006.0	\$9.366.0	Recurring	EMS Fund
\$8.155.0	\$8.481.0	\$8.821.0	Recurring	Trauma Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)

Department of Health (DOH)

Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment further clarifies that the department may use no more than five percent for administrative costs and no more than six percent for the operation of the trauma registry data system and injury prevention programs.

Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee (HHGAC) amendment to HB 99 clarifies that the proposed surtax be paid on gross insurance premiums and membership and policy fees received by insurers on homeowners’ insurance, commercial property insurance, private passenger automobile insurance and commercial automobile insurance.

The HHGAC amendment would require that the surtax begin at 0.885 percent for July 1, 2010 and phase-in every six years to reach 1.635 percent by July 1, 2028 (see table below).

HB 99/aHHGAC Increase P&C Premiums Tax Rate

Proposed Law:

FY	Tax Rate	Revenue Increase	EMS Fund	Trauma Services Fund
			51.5%	48.5%
2011	3.885%	\$16.815	\$8.660	\$8.155
2012	3.885%	\$17.488	\$9.006	\$8.481
2013	3.885%	\$18.187	\$9.366	\$8.821
2014	3.885%	\$18.915	\$9.741	\$9.174
2015	3.885%	\$19.671	\$10.131	\$9.541
2016	3.885%	\$20.458	\$10.536	\$9.922
2017	4.135%	\$27.287	\$14.053	\$13.234
2018	4.135%	\$28.378	\$14.615	\$13.763
2019	4.135%	\$29.513	\$15.199	\$14.314
2020	4.135%	\$30.694	\$15.807	\$14.886
2021	4.135%	\$31.921	\$16.440	\$15.482
2022	4.135%	\$33.198	\$17.097	\$16.101
2023	4.385%	\$42.131	\$21.698	\$20.434
2024	4.385%	\$43.816	\$22.565	\$21.251
2025	4.385%	\$45.569	\$23.468	\$22.101
2026	4.385%	\$47.392	\$24.407	\$22.985
2027	4.385%	\$49.288	\$25.383	\$23.904
2028	4.385%	\$51.259	\$26.398	\$24.861
2029	4.635%	\$62.932	\$32.410	\$30.522
2030	4.635%	\$65.449	\$33.706	\$31.743
2031	4.635%	\$68.067	\$35.055	\$33.013
2032	4.635%	\$70.790	\$36.457	\$34.333
2033	4.635%	\$73.622	\$37.915	\$35.706
2034	4.635%	\$76.566	\$39.432	\$37.135

(dollar amounts in millions)

Synopsis of Original Bill

House Bill 99 (HB99) would create dedicated funding for the Emergency Medical Services (EMS) Fund, the Trauma System Fund, the EMS regional programs, and the trauma registry program through emergency services insurance premium surtax on home and automobile insurance premiums.

**FISCAL IMPLICATIONS**

HB 99 seeks to create a dedicated funding source in anticipation of proposed cuts to EMS. **The LFC has concerns with including continuing appropriation language in the statutory provisions, as earmarking reduces the ability of the legislature to establish spending priorities.**

HB 99 would require property and vehicle insurers to pay emergency services insurance premium surtax each year based on premiums and policy fees in the prior calendar year. The surtax would begin at 0.885 percent for July 1, 2010 and would phase in every three years to reach 2.885 percent by July 1, 2034.

If premium surtax is passed on to consumers, an average of a 1% fee yearly increase would equate to an additional \$10 (ten dollars) for every \$1000 (one thousand dollars) total annual premium for home and auto insurance.

The bill requires that 51.5 percent of the revenue from the surtax be distributed to the Emergency Medical Services Fund and 48.5 percent be distributed to the Trauma System Fund.

Funding for emergency medical services is mostly provided by local tax bases, fees for services (Medicare/Medicaid, private insurance, private pay), and EMS Fund Act allocations. Fund Act allocations are determined by using a formula which considers county size and population, level of service provided, and the number of EMS related responses as criteria for equitable disbursement of funds. EMS Fund Act provides about 47% of funds requested by applicants.

DOH, through the Epidemiology & Response Division (ERD) and Emergency Medical Systems (EMS) Bureau, currently receives GF appropriations for the EMS Fund (FY10: \$3.875 million) and the Trauma Fund (FY10: \$4.145 million). This reduces funding from the general fund due to replacement by the revenues generated from this bill.

### **SIGNIFICANT ISSUES**

HB 99 provides for tax increases and would make New Mexico's tax rates higher than those of neighboring states.

The bill amends the Emergency Medical Services Fund Act such that, in any fiscal year:

- no less than 61 percent of the fund (previously 75 percent) be used for the local emergency medical services funding program to support the cost of supplies and equipment and operational costs other than salaries and benefits for emergency medical services;
- no more than 18 percent of the fund (previously 22 percent) be used for emergency medical services system improvement projects, including the purchase of emergency medical services vehicles, local and statewide emergency medical services system support projects and the emergency medical dispatch agency support program;
- no more than 4 percent of the fund (previously 3 percent) be used for administrative costs, including monitoring and providing technical assistance and data collection program implementation; and
- (proposed new language) no more than 17 percent of the fund be used to contract with nonprofit emergency medical services offices to fund the operational costs associated with regional planning and development, technical assistance and support and coordination of emergency medical services in their respective geographic regions, unless the department shows good cause for not contracting for these services.

The bill also amends the Trauma System Fund Authority Act such that no more than 11 percent of the fund (previously 5 percent) be used for administrative costs, including monitoring, trauma system development and providing technical assistance, and for the operation of the trauma

registry data system and injury prevention programs.

HB99 was introduced on behalf of the interim Legislative Health and Human Services Committee.

### **PERFORMANCE IMPLICATIONS**

According to the 2007 HM 20 Governor’s Task Force Final Report, “...New Mexico’s EMS Regions are under funded, unable to adequately provide their vital regional EMS infrastructure support... “.

EMS is universally available to all of NM’s 1.9 million residents regardless of the ability to pay. Average collection rates for EMS services in NM range from 43% to 75%.

### **ADMINISTRATIVE IMPLICATIONS**

Pg 3 line 16: HB99 requires, without “good cause”, contracting for regional offices/services that are not required in existing law.

### **OTHER SUBSTANTIVE ISSUES**

HPC reports that as of July 2007, there were 7,424 emergency medical services (EMS) caregivers and dispatchers licensed by DOH. In addition, there are 451 EMS organizations in New Mexico, including eight air ambulance services. Fifty-five percent of these organizations are operated by volunteers and 25 percent paid/part-time, 11 percent paid/full-time and nine percent are paid per call.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

A dedicated funding would not be created for the Emergency Medical Services (EMS) Fund, the Trauma System Fund, the EMS regional programs, and the trauma registry program through an emergency services insurance premium surtax on home and automobile insurance premiums, appropriating the funds to DOH.

AHO/mt:svb