

LFC Requester:

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 3/24/25

Check all that apply:

Bill Number: HB586

Original ☐ Correction ☐

Amendment ☐ Substitute ☒

Sponsor: Rep. Szczepanski
Healthcare Consolidation
Oversight Act

Agency Name
and Code HCA-630

Number:

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Title:

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$0	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0	NA	NA

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		TBD	TBD	TBD	TBD	

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 586 (HB 586) amends and adds a new section to the New Mexico Insurance Code cited as the "Health Care Consolidation Oversight Act". The bill would require review of proposed transactions that involve mergers, acquisitions or other actions that change control of a hospital or certain health care provider organizations. It broadens the definition of "Transaction" over which the Health Care Authority has review authority. HB586 also would provide whistleblower protection. It provides for enforcement of the act and proscribes administrative penalties. It also removes the delayed repeal of the act.

Section 1 establishes the Act's title as the "Healthcare Consolidation Oversight Act".

Section 2 defines key terms used throughout the Act.

Section 3 Establishes oversight power of the Health Care Authority pursuant to the Health Care Consolidation Act as applicable to proposed transactions. HB586 also establishes applicability and provisions including, any person being subject to the Health Care Consolidation Act does not preclude or negate any person regulated pursuant to the Insurance Holding Company Law. Applicability is also presumed to exist if a person directly or indirectly owns, controls, holds fifteen percent or more of the power to vote or holds proxies representing fifteen percent or more of voting securities of any other person.

Section 4 establishes that all documents, materials or other information in the possession or control of the authority that are obtained by or disclosed to the Health Care Authority, the Attorney General or the Office of the Superintendent in the course of a review under the Act are confidential.

Section 5 establishes the timing of the review of notice and tolling. The notice of a proposed transaction shall be deemed complete when all required information is submitted by all parties as applicable to the Health Care Authority. Within thirty days the Authority shall notify the parties in writing if the notice is complete or incomplete and specify what additional information must be submitted. It resets the time period if the scope of the proposed transaction is significantly modified from the initial notice. The time periods are also tolled during any time in which the Health Care Authority has requested and is awaiting further information necessary to complete its review.

Section 6 Lays out the process of notification and the requirements to the Health Care Authority. It establishes the requirements for the party to submit the notice of transaction and requires the party to pay all reasonable costs and expenses incurred by the Health Care Authority in performance of the Health Care Authority's or the Office of the Superintendent for the costs associated with conducting the review of the transaction including contracts with outside experts. It requires the Health Care Authority to notify the parties before any costs are incurred when a transaction review requires the use of outside experts, including an estimated cost of services.

It further provides the Health Care Authority to determine if a transaction is urgently necessary to maintain the solvency of a hospital or if there is an emergency that threatens the continued

provision of immediate health care services. It provides for the Authority to make immediate approval with or without conditions. It specifies that if the transaction remains subject to regulatory review and approval entry into a binding agreement before a transaction is effectuated is not a violation of the Health Care Consolidation Oversight Act.

Section 6 further specifies if a party to the proposed transaction is a health insurer, the notice shall be submitted as an addendum to any filing required by Sections 59A-37-4 through 59A-37-10 NMSA 1978.

It specifies what is required in the notice of proposed transaction including: the terms of the transaction agreement between all parties, a list of all parties and identifying information, a statement describing the proposed transaction the goals and how the proposed transaction affects health care services in New Mexico, the geographic area affected by the proposed transaction, a description of groups or individuals likely to be affected by the proposed transaction, and a summary of health care services currently provided by any of the parties, and what service will be added, reduced or eliminated in the service area.

It requires the Health Care Authority to consult with the Office of the Superintendent about the potential effects of the proposed transaction and incorporate the Office of the Superintendent's recommendations into the Authority's final determination.

It authorizes the Health Care Authority to retain actuaries, accountants, attorneys or other professions who are qualified and have expertise in the type of transaction under review to assist the Health Care Authority in conducting the review of the proposed transaction.

It requires written approval of the Secretary to effectuate a transaction in the form and manner prescribed by the Health Care Authority.

It requires the Health Care Authority to provide all notices and documents received from any of the parties to a proposed transaction to the office of the superintendent and the attorney general. It further provides the attorney general may provide input to the Health Care Authority about the potential effect of a proposed transaction relative to the Antitrust Act, the Unfair Practices Act or other state or federal law.

Section 7 creates a new section requiring the Health Care Authority to post specific information about the proposed transaction to the public and other entities and officials. The Health Care Authority shall provide details on how the public can provide comments on the notice of a proposed transaction. It further requires the Health Care Authority to conduct at least one public comment forum in the area or areas subject to the proposed transaction.

Section 8 specifies the conditions and specifications for the Health Care Authority to complete the review of the proposed transaction in concurrence with the Office of the Superintendent. It directs the Authority to consider the likely effect in New Mexico of eight factors in making their determination review, Including:

1. the potential reduction or elimination in access to essential services
2. the availability, accessibility and quality of health care services to any community affected by the transaction
3. the health care market share of a party and whether the transaction may foreclose competitors of a party from a segment of the market or otherwise increase barriers to entry in a health care market

4. changes in practice restrictions for health care providers who work at the hospital
5. patient costs, including premiums and out-of-pocket costs
6. health care provider networks
7. the potential for the proposed transaction to affect health outcomes for New Mexico residents; and
8. current and future wages, benefits, working conditions, employment protections and restrictions and other terms and conditions of employment for employees of hospitals or health care provider organizations that are parties to or the subject of the proposed transaction

It directs the authority to approve the proposed transaction after the authority completes its review and determines the following:

1. the parties to the proposed transaction have demonstrated that the transaction will benefit the public by
 - a. reducing the growth in patient costs, including premiums and out-of-pocket costs; or
 - b. maintaining or increasing access to services, especially in medically underserved areas
2. the proposed transaction will improve health outcomes for New Mexico residents; and
3. there is no substantial likelihood of:
 - a. a significant reduction in the availability, accessibility, affordability or quality of care for patients and other consumers of health care services; or
 - b. anti-competitive effects from the proposed transaction that outweigh the benefits of the transaction.

Section 9 creates a new section of enforcement and administrative fines, directing the Health Care Authority to enforce the provision of the Health Care Consolidation Oversight Act. It specifies administrative fines for violation of the Health Care Consolidation Act. The Secretary may impose an administrative fine of five thousand dollars (\$5,000) for each instance of violation, unless the violation is willful and intentional, in which case the Secretary may assess a fine of not more than ten thousand dollars (\$10,000) for each violation. In the event of a willful and intentional failure to provide a notice of the proposed transaction the secretary may impose an administrative fine of not more than fifteen thousand dollars (\$15,000) per day from the date the notice was required to be submitted.

It specifies a covered transaction shall not be effective without the Secretary's written determination that no review is needed or without the written approval, with or without conditions of the Secretary following review.

Section 10 creates a new section that clarifies and assures the authority of the Attorney General to protect consumers in the health care market or to protect the economy of the state or any significant part of the state insofar as health care is concerned under any state or federal law. It further assures the authority of the Attorney General to maintain competitive markets and prosecute state and federal antitrust and unfair competition violations shall not be narrowed, abrogated or otherwise altered by that act.

Section 11 creates a new section establishing New Mexico courts shall have jurisdiction over the parties to a transaction subject to the provisions of the Health Care Consolidation Oversight Act, including the parties to the transaction and any person affiliated with a party.

Section 12 creates a new section establishing whistleblower protection. It prohibits any entity from taking any retaliatory actions against a whistleblower. It requires every entity to adopt, promulgate and enforce a whistleblower protection policy. It further establishes the authority of the Secretary to assess an administrative fine not to exceed ten thousand dollars (\$10,000) on an entity that the secretary finds has engaged in retaliatory action. If the secretary finds the entity willfully or repeatedly violated or continues to violate the prohibition against retaliatory actions, the secretary may assess an administrative fine not to exceed one hundred thousand dollars (\$100,000) for each violation. The entity may request a hearing which shall be conducted as provided in the Administrative Procedures Act.

When an entity fails to stop or correct a retaliatory action within the period allowed for its correction, if applicable a separate administrative fine may be assessed not to exceed fifteen thousand dollars (\$15,000) for each day during which the failure to stop or correct retaliatory action continues past the deadline for stopping or correcting the action. It directs the administrative fines be deposited in the state treasure to the credit of current school fund as required by Article 12, section 4 of the constitution of New Mexico.

Section 13 creates a new section that requires the Health Care Authority to post hospital ownership annually on the Health Care Authority's website and update whenever there is a change of ownership or real estate on which the hospital stands.

Section 14 repeals chapter 40 section 9.

Section 15 establishes the effective date of the provisions of this act as July 1, 2025.

HB586 does not include an appropriation.

FISCAL IMPLICATIONS

Division of Health Improvement

HB586 would expand the current scope of work for DHI. It would require revising current rules 8.370.3 NMAC Health Facility Licensure Fees and Procedures and 8.370.12 Requirements for Acute Care, Limited Services and Special Hospitals. HB586 would greatly expand the current licensing and change of ownership process for hospitals beyond its current scope of authority, adding an additional review of the proposed transaction.

HB586 adds multiple new requirements to the Division of Health Improvement to implement and integrate the requirements of this bill into its licensing of hospitals. The additional workload includes the revision and promulgation of multiple rules, redesigning the current processes for hospital change of ownership procedures to integrate the additional review of notice of pending transaction, coordinating with the Office of the Superintendent and Medical Assistance Division, and incorporating their input to approve the transaction, building in the additional processing and time required, gathering and tracking of new transaction data and documents, and analyzing the data, developing and supporting a new website and data application to manage and track and report public hospital data, expansion of the FELIX licensing application, the publication of proposed transactions for the public in the media, hosting public forums, tracking of public comments and feedback, investigating non-compliance and processing and preparation of compliance reports for the Secretary.

DHI estimates that an additional 8.0 full-time equivalent positions would be needed, in addition to the accompanying office space, computers, software licenses and telecommunications equipment and vehicles. The 8.0 FTEs would include a program coordinator, a webmaster, a paralegal, a data analyst, management analyst, advanced business operations specialist, a clerk and an attorney. In addition to 4 to 6 contract experts with specific expertise in actuaries, accounting, or other professionals (to be charged to the parties).

The total fiscal impact to DHI is unknown at this time.

State Health Benefits

Health care consolidation is associated with rising health care costs according to an emerging field of research. While this bill could potentially impact State Health Benefits (SHB) costs indirectly, the extent of this impact cannot be determined without details of specific transactions and their effects on New Mexico's health care market. SHB does not anticipate any direct fiscal impact on the Bureau.

However, the review process outlined in SB 14 may have a fiscal impact on the SHB program, depending on the scope of the review and the level of expertise required. This potential fiscal impact would be evaluated on a case-by-case basis and would depend on the current hourly rates of actuaries and auditors contracted by the SHB program, should their services be required for the review or analysis of any proposals.

Section 6 of the bill allows the HCA to charge these costs to the parties involved in the transaction, thereby eliminating any impact on the General Fund related to SHB.

SIGNIFICANT ISSUES

Division of Health Improvement

HB586 seeks to realign current oversight power specific to the transaction of a change of ownership for a hospital or certain health care provider organization that is owned or affiliated with a health insurer from the Office of the Superintendent to the Health Care Authority Division of Health Improvement (DHI), which already has the specific authority to license health facilities including hospitals and to approve the change of ownerships and issue new licenses to health facilities (as specified in 24a-1-(1-5) NMSA Health Code).

The intent of HB586 is to transfer the change of ownership for hospitals review of proposed transaction process from the office of the superintendent to the Health Care Authority. However, it also includes language of "Certain Health Care Provider Organizations" defined as "a person (entity) that is in the business of delivering or managing the delivery of health care services, whether incorporated or not, including physician organizations, physician-hospital organizations, independent practice associations, provider networks, accountable care organizations, dental services organizations and any other organization that contracts with health insurers for payment for health care services." DHI does not license "Certain Health Care Provider Organizations" and it is unclear who would be responsible for reviewing proposed transactions for the change of ownership of these organization or if licensure would be involved in those types of review.

HB586 defines control as a person who directly or indirectly owns, controls, holds fifteen percent or more of the power to vote or holds proxies representing fifteen percent or more of the voting

securities of any other person. The limit of fifteen percent or more of the voting securities could increase the overall number of change of ownership transactions to be processed by DHI.

HB586 would require significant changes to the current DHI process for hospital change of ownership, including the creation of a process for the review of the proposed transaction. New collaborations and processes with the office of the superintendent will be required, as well as developing new rules and requirements for hospital licensure specific to a change of ownership.

Section 6 states that “entry into a binding agreement before a transaction is effectuated is not a violation of the Health Care Consolidation Oversight Act if the transaction remains subject to regulatory review and approval.” This language needs to be clarified as it is unclear at what point would a proposed transaction be in violation of the act. If a binding agreement is reached between the parties and the review of the proposed transaction is denied by the Health Care Authority, what remedies would be available to all parties. Additionally, clarification is also needed to determine who would regulate a binding agreement before it is effectuated, and what criteria would be utilized to determine if a violation has occurred.

HB586 requires the Health Care Authority to make public and transparent the proposed transaction for a hospital change of ownership to include posting of the notice, conducting public forums in the area of the hospital of the transaction, to receive local community feedback, as well as other methods for the public to comment and provide feedback on the proposed transaction. The creation of a hospital data website to report ownership information and changes may also be needed.

Section 9 establishes new enforcement and administrative fines. However, DHI does not license “certain health care provider organization” and may not have jurisdiction to provide oversight. In addition, hospital oversight is a complaint driven process, as they have a deemed status. Potential violations could only be investigated when a complaint is reported to the Health Care Authority.

PERFORMANCE IMPLICATIONS

DHI does not have an existing performance measure for this new scope of work.

ADMINISTRATIVE IMPLICATIONS

Division of Health Improvement

Significant process changes for the Health Care Authority’s Division of Health Improvement, including rule revisions and promulgation, revising current licensing procedures and developing new collaborative review processes with the office of the superintendent. Recruiting and contracting expertise to consult with the review of the proposed transactions with actuaries, accountants, and other professionals. Expanded information technology resources will be needed to meet the reporting requirements of this bill as well as an attorney and para legal for rule promulgation, enforcement of administrative fines, and the posting of legal notices.

As noted above, there are IT system changes that will be needed to implement this bill. Detailed discovery sessions will be necessary to accurately determine a cost and timeline. The bill does not contain an appropriation and has an effective date of July 1, 2025. Work on the changes could not begin until after July 1, 2025 and additional funds would be needed to design, develop and

implement the needed IT system changes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None known at this time.

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

While [New Mexico](#) has fewer private equity-owned hospitals (17 facilities) compared to other states, NM has the highest proportion of private equity-backed hospitals in the U.S. at 38%.

A 2023 study published in [JAMA](#) examined 662,095 hospitalizations at 51 private equity–acquired hospitals and 4,160,720 hospitalizations at 259 matched control hospitals using 100% Medicare Part A claims data. Private equity acquisition was associated with a 25.4% increase in hospital-acquired conditions, which was driven by falls and central line–associated bloodstream infections. Medicare beneficiaries at private equity hospitals were modestly younger and less likely to have dual eligibility for Medicare and Medicaid.

A 2025 study analysis published in [JAMA](#) examined 73 private equity–acquired hospitals and 293 matched control hospitals and their performance measures related to patient care experience. The analysis found patient care experience worsened after private equity acquisition of hospitals, as did patient-reported staff responsiveness. The difference in these measures of patient care experience at private equity–acquired hospitals compared with matched control hospitals increased with each subsequent year after acquisition.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo. The health care transaction review process that currently resides with the Office of the Superintendent of Insurance will continue.

AMENDMENTS

N/A