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FISCAL IMPACT REPORT

SPONSOR:	Vernon	DATE TYPED:	01/25/00	HB	
SHORT TITLE:	Hospice Gross Receipts Deduction			SB	76
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY99	FY2000			
	\$ (390.0)	\$ (420.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill allows for-profit hospices to deduct Medicare payments received for services rendered, from gross receipts taxable income.

Nationwide, 65% of hospice receipts are Medicare payments, 12% are Medicaid or indigent care program receipts. The state currently provides a Medicare-B deduction to MD's and osteopaths only.

New Mexico began funding hospice care through Medicaid in 1989. A 1988 Health Care Finance Administration study concluded that in the first three years of the hospice benefit, Medicare saved \$1.26 for every \$1.00 spent on hospice care. The Taxation and Revenue Department (TRD) reports that if the same is true for Medicaid, it is in the long-term financial interest of the state to encourage the expansion of hospice care.

One argument in favor of tax preferences for providers of medical and related services are that these services are "merit goods". TRD reports that this presumption may be reasonable when applied to charitable hospitals or other entities that give the poor access to healthcare but might not apply to for-profit providers. However, if it is in the long term interest of the state to encourage the expansion of hospice care in New Mexico, this bill would lower the tax burden on hospices in New Mexico and encourage expansion in this area.

Another argument in favor of tax preferences for medical and related services is that most states do not charge sales tax on medical services, thus medical professionals in New Mexico receive less for Medicare reimbursed services than they do from non-Medicare patients receiving the same services or from Medicare doctors in surrounding states providing the same services.

An argument against tax preferences is that it narrows the tax base, and implies a future tax increase in order to keep revenue growth on pace with recurring expenditures.

FISCAL IMPLICATIONS

The estimated fiscal impact reduces the general fund by \$390.0 (recurring) in FY01, and \$420.0 thereafter.

JBE/gm