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FISCAL IMPACT REPORT

SPONSOR: HBIC DATE TYPED: 02/27/01 HB 227/HBICS
 SHORT TITLE: Gross Receipts Deduction for Doctors SB _____
 ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (11,400.0)	\$ (13,300.0)	Recurring	General Fund (Net)
	\$ (3,100.0)	\$ (3,500.0)	Recurring	Local Govt. (Net)
	\$ 3,400.0	\$ 4,000.0	Recurring	Municipalities

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

This bill provides an immediate gross receipts tax deduction for receipts of doctors, osteopaths and most other licensed health care practitioners from services performed pursuant to a contract with a managed health care provider. The phrase used in the bill is "commercial portion of contact services."

The current 1.225 percent state shared gross receipts tax distribution to municipalities is increased to 1.24 percent.

Significant Issues

The Taxation and Revenue Department (TRD) indicate that the municipal gross receipts tax base, adjusted for the loss of managed care gross receipts pursuant to this bill is about \$25.2 billion for FY02.

Assuming that the difference between the current 1.225 percent and the proposed 1.24 percent municipal shared distribution fully holds municipalities harmless leads to the conclusion that the total managed care payments statewide are about \$145 million, rather than the \$264 million assumed in this analysis. This would imply that only 9 percent of doctors and dentists receipts are paid by managed health care plans.

TRD suggests this discrepancy should be resolved before this bill proceeds much further in the process.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) estimate that the net impact of this bill on the general fund would reduce general fund revenue by \$11.4 million in FY02 and \$13.3 million in FY03. The estimated impact of this bill would reduce local government revenues (primarily non-municipalities via an increase in the municipal distribution) by \$3.1 million in FY02 and \$3.5 million in FY03.

The Taxation and Revenue Department (TRD) report that 1998 HCFA data shows that 28 percent of physicians and other health practitioners total payments are received from Medicare and Medicaid. Of the remaining 72 percent an unknown portion is received from managed care providers (as opposed to conventional fee for service or capitation insurance plans, or the co-payments and deductible amounts under managed care schemes or private pay.) For the purpose of this estimate, TRD assumed 1/3rd of the 72 percent would be covered under the bill's description. See OTHER SUBSTANTIVE ISSUES for a rough reconciliation of this analysis and data supplied by proponents of the bill.

Below is a five year estimate provided by TRD.

Estimated Fiscal Impact

(millions of dollars)

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
General Fund	(8.0)	(9.3)	(9.9)	(10.6)	(11.3)
Local Governments	<u>(6.5)</u>	<u>(7.5)</u>	<u>(8.0)</u>	<u>(8.5)</u>	<u>(9.1)</u>
Subtotal	(14.5)	(16.8)	(17.9)	(19.1)	(20.4)
Municipalities	3.4	4.0	4.3	4.6	4.9
Net General Fund	(11.4)	(13.3)	(14.2)	(15.2)	(16.2)
Net Local Governments	(3.1)	(3.5)	(3.7)	(3.9)	(4.2)

Source: Taxation and Revenue Department (TRD)

Selected Estimated Gains & Losses

(millions of dollars)

	<u>Loss</u>	<u>Gain</u>	<u>Net</u>
Albuquerque	5.37	1.65	(3.72)
Bernalillo County	0.60	0.00	(0.60)
All Municipalities Ex. Abq.	7.09	2.07	(5.02)
All Counties Ex. Abq.	1.05	0.00	(1.05)

Source: Taxation and Revenue Department (TRD)

ADMINISTRATIVE IMPLICATIONS

Minimal.

JBE/njw