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FISCAL IMPACT REPORT

SPONSOR <u>Stefanics/Ingle</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/13/23</u>
SHORT TITLE <u>Rural Emergency Hospital Licensure</u>	BILL NUMBER <u>Senate Bill 245</u>
	ANALYST <u>Daly</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
Total						

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From
Department of Health (DOH)
Human Services Department (HSD)

SUMMARY

Synopsis of Senate Bill 245

Senate Bill 245 (SB245) authorizes DOH to establish a rural emergency hospital license that would allow an eligible facility to qualify for enhanced federal healthcare reimbursement as a rural emergency hospital (REH). An REH provides emergency department services 24 hours a day. It must have a transfer agreement in effect with a level 1 or 2 trauma center and must not have an annual average patient length of stay of over 24 hours. SB245 prohibits inpatient beds unless a specific unit within the hospital is licensed as a skilled nursing facility and provides post-hospitalization extended care services.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

DOH, the agency responsible for creating this new form of licensure, reports its Division of Health Improvement, which is responsible for surveying and licensing, would be required to write new regulations and conduct on-site survey compliance and complaint investigations for

this new facility designation. It also notes some federal funding would be available to fund a coordinator and to provide other technical assistance and information. Given these factors, the impact on the operating budget is reflected in the table above as indeterminate but minimal.

SIGNIFICANT ISSUES

DOH advises that SB245:

Supports vulnerable rural hospitals by allowing them to continue operating with outpatient and emergency services, instead of closing. SB245 supports the viability of rural healthcare facilities and promotes the expansion of services, improving rural healthcare delivery and their capacity to drive positive economic growth in their communities

According to DOH, the bill is intended to address the changes to the federal Centers for Medicare and Medicaid Services (CMS) regulations effective January 1, 2023. Under those regulations, a hospital licensed as an REH will receive enhanced reimbursement rates for services and monthly federal support upon meeting certain requirements for conversion. REHs will receive an additional 5 percent payment for a covered outpatient service. Beneficiaries will not be charged coinsurance on that payment. Additionally, REHs will receive a significant monthly facility payment set by the CMS.

DOH believes conversion to an REH will likely be of interest to a number of hospital facilities in New Mexico, the conversion of which is dependent on each individual state licensing this new type of facility, “making passage of SB245 critical for rural hospitals in New Mexico to take advantage.” It provides this additional background:

Rural hospitals across the country are often forced to close because reimbursement frequently fails to cover the costs of delivering care to patients in non-urban areas. According to the Center for Healthcare Quality and Payment Reform, more than half of small rural hospitals nationwide that have closed in recent years had losses of 10% or more in the year prior to closure, and over one fourth had losses greater than 20% (<https://chqpr.org/>) Under current healthcare reimbursement systems, communities with a large proportion of low-income residents and/or rural communities may not generate sufficient paying demand to assure that providers will practice in these locations and hospitals can remain viable, causing hospitals closures, inadequate services, and long commutes for specialty and emergency care. (2020-2022 New Mexico State Health Improvement Plan, page 11: <https://www.nmhealth.org/publication/view/plan/5311>).

HSD comments:

SB 245 could help some of New Mexico’s hospitals avoid closure. There are currently 11 Critical Access Hospitals (CAH) as defined by CMS that potentially could apply for this Rural Emergency Hospital Licensure. Based on the bill, the hospital would need to make some changes with its inpatient beds and confirm that they meet the other criteria listed within the bill. Preventing the closure of rural hospitals is a high priority for HSD since these facilities often serve as an important access point for Medicaid beneficiaries.

It notes that Guadalupe Hospital is moving toward this designation to avoid closure.

OTHER SUBSTANTIVE ISSUES

DOH notes all areas in New Mexico are designated HCUAs (health care underserved areas) except (a) Los Alamos County, (b) parts of Bernalillo County, (c) and parts of Santa Fe County.

Further, DOH suggests:

States could play a role in directing that REHs have some level of community governance or method of securing regular community input on operations. IRS hospital requirements could serve as a basis for such requirements. In this manner states would assure that REHS meet community needs on a continuing basis. The community input requirements could cover both *core REH services* as well as *supplemental services*. If community input is incorporated into processes, such requirements could help prevent potential disinvestment in REHs that are part of a larger regional system of health services.

MD/rl/hg