FISCAL IMPACT REPORT

		LAST UPDATED	3/16/2025
SPONSOR	House Judiciary Committee	**ORIGINAL DATE**	2/4/2025
		BILL	CS/House Bill
SHORT TITLE	Review of Certain Healthcare Transactions	**NUMBER**	586/HJCS
		ANALYST	Hernandez/ Rommel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	Other state funds

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

Sources of Information
LFC Files

Agency Analysis Received From
Health Care Authority (HCA)
New Mexico Hospital Association (NMHA)
Office of Superintendent of Insurance (OSI)
New Mexico Attorney General (NMAG)

Agency Declined to Respond
Department of Health (DOH)

SUMMARY

Synopsis of HJC Substitute for House Bill 586

The House Judiciary Committee substitute for House Bill 586 (HB586) creates a process that allows the secretary of the Health Care Authority (HCA) to review proposed transactions (e.g., acquisitions, mergers) that materially change the control of a New Mexico healthcare entity and could negatively impact the availability, accessibility, affordability, and quality of care for New Mexicans. HB586 recompiles sections of Chapter 59A, Article 63 NMSA 1978 (the Health Care Consolidation Oversight Act) under the Health Care Code. The law extends the provisions of the Health Care Consolidation Oversight Act, enacted in 2014, which created a process to review and approve mergers, acquisitions, and other material changes in control of certain healthcare entities doing business in the state and would otherwise be repealed as of July 1, 2025.

Importantly, the bill states that proposed transactions that are subject to the law include those between two or more parties that involve change of control of a New Mexico hospital and acquisitions of provider organizations by hospitals and hospital-affiliated entities and health insurers and insurer-affiliated entities, as well as independent health care practices. HB586 allows HCA to complete a preliminary review of the merger or acquisition. From there, HCA

can approve the merger or complete a comprehensive review. All agreements and related documentation are to be kept confidential and exempt from the Inspection of Public Records Act. However, HCA must publish summaries of transaction information after a transaction notice is received.

HCA may impose fines in order to enforce the act.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

HB586 authorizes HCA to retain qualified professionals to assist in the review of the proposed transaction to limit the fiscal impact; this analysis assumes that any additional fiscal impact will be minimal.

The Office of the Superintendent of Insurance (OSI) currently has an appropriation in House Bill 2 for $1.5 million to implement the Health Care Consolidation and Transparency Act. If HB586 passes, HCA would be responsible for implementing the act, not OSI.

SIGNIFICANT ISSUES

Private equity firms are increasingly purchasing hospitals both nationally and in New Mexico—raising concerns about hospital viability and healthcare access more broadly. A report written by the Private Equity Stakeholder Project highlights that New Mexico has the highest proportion of hospitals owned by private equity firms in the country, with 38 percent of private hospitals (17 out of 45) owned by private equity firms. The state with the second highest proportion is Idaho with 23 percent of hospitals being owned by private equity firms. Nationally, between 2009 to 2019, the acquisition values of healthcare-related private equity firms were set at $750 billion. Generally, private-equity-owned hospitals are in lower income, nonurban areas and have fewer patients discharged, fewer employees per bed, and lower patient experience scores.

Peer-reviewed research, which includes data points from New Mexico, demonstrates that quality of care and number of patients treated decline when hospitals are owned by private equity firms. Focusing on hospitals, patients who visit a private-equity-owned hospital are more likely to experience "hospital-acquired adverse events." These events include increased falls, central-line-associated bloodstream infections, surgical site infections, myocardial infarction, and pneumonia. Financially, when compared to hospitals that are not owned by private equity firms, private-equity-owned hospitals are likely to charge more per inpatient day, experience higher cost-to-charge ratios for emergency departments, and higher total cost-to-charge ratios—driving up costs for patients and state and federal governments.

In what may be the most striking case, Steward Health Care, which operates 31 hospitals across the United States and is the largest private physician-owned for-profit healthcare network, filed for Chapter 11 bankruptcy in May 2024. Steward made what several state officials in Massachusetts and members of Congress called risky financial decisions and is backed by a private equity firm. One of these decisions included selling all real estate that each hospital owned and operated in. The hospitals were then forced to pay long-term rent. Documents from Steward's bankruptcy reveal the company is carrying over $1 billion in debt. Two hospitals in

Massachusetts that were under the Steward Health Care system were forced to shutter after no buyer was identified. This created serious concerns in Massachusetts about access to hospital care for patients. Steward Health Care is not the first instance of private-equity-backed medical companies filing for bankruptcy. Some other examples include hospital staffing companies Envision Healthcare and American Physician Partners and a prison health company, Tehum Care Services.

HB586 is based on the Oregon Health Care Authority's healthcare market oversight statutes. Through its Health Care Market Oversight program, the Oregon Health Authority reviews proposed business deals to make sure they will help, and not hurt, Oregon's shared goals of health equity, lower consumer costs, increased access, and better care. The program applies to mergers, acquisitions, and other business deals that involve healthcare entities and meet certain criteria. Last year, the New Mexico Legislature enacted Senate Bill 15 (SB15), which gave OSI tools to provide oversight of certain hospital transactions that result in a change of control. SB15 is intended to ensure that such transactions are in the public interest and will not excessively increase healthcare costs, reduce access to healthcare services, or diminish the quality of care. However, SB15 sunsets—is automatically repealed—June 30, 2025.

The New Mexico Hospital Association (NMHA) states:

> The SHPAC substitute for HB586, Health Care Consolidation and Transparency Act, makes several changes to the bill as introduced but continues to unnecessarily include hospital transactions that do not involve changes to the control of the hospital, does not have a strong enough confidentiality provision, and continues to include unnecessary and unrelated ownership reporting requirements; therefore, the NM Hospital Association, on behalf of our 47 hospital members continues to oppose the bill.

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