FISCAL IMPACT REPORT

SPONSOR	Sen. Duhigg/Rep. Szczepanski	**LAST UPDATED**	
		ORIGINAL DATE	2/4/2025
SHORT TITLE	Health Care Consolidation and Transparency Act	**BILL NUMBER**	Senate Bill 14
		ANALYST	Hernandez/ Rommel

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
		Up to $450.0	Up to $450.0	Up to $450.0	Up to $450.0	Recurring	General Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSI		Up to $94.0	Up to $94.0	Up to $188.0	Recurring	Other state funds
Total						

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)

Agency Analysis was Solicited but Not Received From
Office of the Superintendent of Insurance (OSI)
New Mexico Attorney General (NMAG)

Agency Declined to Respond
Department of Health

SUMMARY

Synopsis of Senate Bill 14

Senate Bill 14 (SB14) creates a process that allows the Office of Superintendent of Insurance (OSI) 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. SB14 provides powers and duties to the New Mexico Attorney General (NMAG), which may provide input to the office about the potential effect of the proposed transaction relative to the Antitrust Act, the Unfair Practices Act or other state or federal law. Under SB14, NMAG is added to the transaction review and approval process along with OSI, the Health Care Authority, and other state agencies as appropriate.

Section 1 re-establishes the Health Care Consolidation and Transparency Act, the current version of which sunsets on July 1, 2025.

Section 3 articulates the types of healthcare entities and sets minimum revenues to be considered subject to the provisions of the act. The health care entities subject to the Act must involve (1) a New Mexico hospital, (2) a party that had an average annual revenue of $40 million, a projected revenue of $20 million over the first three years, or at least $20 million in annual revenue in at least three of the first five years of operation, (3) or is the latest of a series of transactions within the previous five-year period that involves the acquisition, merger, or change in control of health care entities in New Mexico in transactions involving one or more of the same controlling parties.

Section 5 provides timelines for preliminary review (within 60 days); comprehensive review as necessary (90 days); and administrative hearings as required (180 days). A preliminary review is required for all parties that meet the requirements of Section 3 of SB14. Comprehensive reviews and administrative hearings are at the discretion of OSI. If an administrative hearing is required, OSI shall make its final determination within 30 days.

Section 6 articulates the duties of the parties entering into a proposed transaction, including the types of information required by OSI. The parties subject to the Health Care Consolidation and Transparency Act must submit written notice of the proposed transaction at least 60 days prior to the anticipated effective date. The notice of the proposed transaction shall include a comprehensive list of 10 exhibits that will enable OSI and HCA to evaluate the fidelity of the transaction.

The section further instructs OSI to consult with HCA about the potential effect of the proposed transaction. Importantly, if the approval contains conditions, the party must comply with all conditions.

Following the completion of a comprehensive review, receipt of recommendations from HCA, NMAG, and other state agencies consulted and input from the public, OSI shall approve the proposed transaction with or without conditions. There is also the potential for OSI to find that an administrative hearing is necessary to consider the disapproval of the proposed transaction because of a substantial likelihood of a significant reduction in the availability, accessibility, affordability or quality of care for patients and consumers of health services or any anticompetitive effects from the proposed transaction that outweigh the benefits of the transaction. The superintendent of insurance will make a final determination to approve the proposed transaction with or without conditions or disapprove the proposed transaction within 30 days after the administrative hearing and explain in writing the basis for that determination.

Section 10 addresses post-transaction oversight as it applies to entities that request transaction approval under the Health Care Consolidation and Transparency Act. This section allows OSI to

audit books, documents, records, and data of a person that is party to a transaction that is subject to a conditional approval. The healthcare entity subject to the transaction that was approved or conditionally approved following comprehensive review must submit one-, two-, and five-year reports to the office, as well as future intervals determined at the discretion of the office.

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

FISCAL IMPLICATIONS

One willful and intentional failure to provide notice of a proposed transaction lasting one month would result in a potential revenue impact to the general fund of up to $450 thousand annually from SB14. OSI likely will need up to one full-time compliance officer. There are likely large but indeterminate costs associated with SB14.

HCA notes no estimated additional operating budget impact.

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, non-urban 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.

Importantly, private equity firms do not only impact patients in hospitals. Research demonstrates that private equity acquisition of dermatology, ophthalmology, and gastroenterology clinics lead to a higher rate of turnover. When focusing on ophthalmology practices owned by private equity firms, findings suggest these practices are associated with increases in higher-priced drugs—leading to higher Medicaid spending—compared to the same type of clinics not owned by private equity firms. Generally, practices owned by private equity firms are likely to charge an additional $71 per claim than their counterparts. It is unclear how many non-hospital medical practices within New Mexico are currently owned by private equity firms.

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.

SB14 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—automatically repealed—June 30, 2025.

The New Mexico Hospital Association (NMHA) states:

> Recognizing the important role hospitals fill in the communities they serve, we understand that some governmental oversight of hospital ownership changes may prove beneficial for the public good, but legislation must be appropriately narrow in scope (see the broad definition of "transaction" in Section 2) so as not to discourage investment and innovation that will help address our access to care needs. The scope of the oversight outlined in SB14 is far-reaching and extends beyond oversight and could reduce interest in new investments to improve access. NMHA cannot support SB14 at this time as it will further hurt access to care in our state.

AEH/hj/hg/rl