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# Update: Public Funding of New Mexico Hospitals

Presentation to the Legislative Health and Human Services Committee

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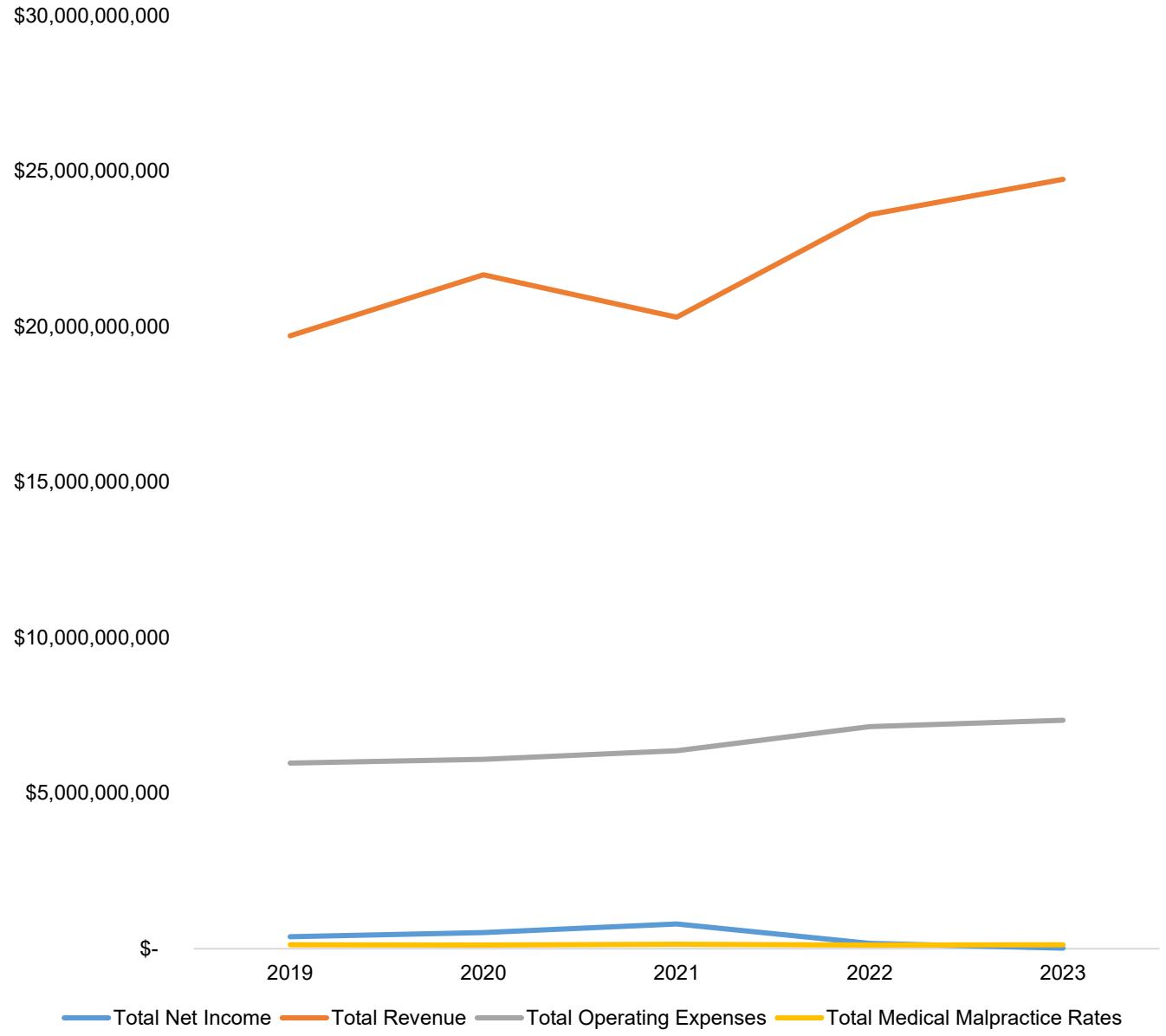
# Key Points

- Hospital net income declined between 2022 and 2023
- The state Legislature committed substantial investments into hospitals and rural providers for start up services. Although, much of the allocated funds are not expended, an RFP was just issued for \$46 million
- The Healthcare Quality Delivery and Access Act performance measures do not include metrics measuring healthcare outcomes and access over the next five years
- The increase in private equity owned hospitals raises concerns
  - National data has shown patient outcomes and financial viability are worse in these hospitals.
  - OSI and others are considering adopting market oversight legislation may help reduce these concerns.

# Hospital Net Income

- Declined between 2022 and 2023

### Net Income, Revenue, Operating Expenses, and Medical Malpractice Rates



# Hospital Net Income

## Net Income

- Declined between 2022 and 2023
- Each row is an example of one hospital who meets the criteria

	2019	2020	2021	2022	2023
Urban Not-for-Profit	38,890,724	30,465,878	33,224,528	30,071,530	29,518,672
Non-Urban Not-for-Profit	-533,928	835,999	1,554,955	-210,518	464,624
Urban Investor-Owned	9,932,801	11,599,286	17,461,409	8,570,635	6,809,647
Non-Urban Investor-Owned	-533,928	835,999	1,554,955	-210,518	464,624
Urban Government Owned	167,458	297,651	3,425,550	627,470	-5,312,147
Non-Urban Government Owned	-708,472	937,468	6,536,820	-404,608	-6,025,627

# Hospital Net Income

## Medical Malpractice Rates

- Declined between 2022 and 2023

	2019	2020	2021	2022	2023
Urban Not-for-Profit	10,956,121	7,145,760	7,392,724	9,664,148	19,211,313
Non-Urban Not-for-Profit	250,759	180,570	180,570	282,906	259,307
Urban Investor-Owned	1,593,625	1,248,833	1,371,480	1,538,695	2,693,432
Non-Urban Investor-Owned	132,064	92,227	91,174	207,256	1,546,988
Urban Government Owned	Not Reported	Not Reported	Not Reported	Not Reported	Not Reported
Non-Urban Government Owned	196,199	195,422	193,809	36,916	156,344

# State Government Subsidies of Hospitals

- Despite large state financial investments in hospitals, most allocated funds are not budgeted, encumbered, nor expended

Between FY24 and FY25, the Legislature invested \$121 million non-recurring and \$149.1 million recurring into hospitals.

- The earliest the Healthcare Quality Delivery and Access Act will be disbursed is March 31, 2025.
- Special appropriations from the General Appropriation Act of 2024 that target hospitals will need to be disbursed including:
  - \$46 million to defray operating losses for rural providers for start up services. An RFP was issued.
  - \$50 million to fund the Acute Care Subsidies Act
  - \$15 million for Rehoboth McKinley (Gallup, NM)
  - \$10 million for Dan C. Trigg (Tucumcari, NM)

# Healthcare Quality Delivery and Access Act

- Performance measures do not include metrics measuring healthcare outcomes and access over the next five years

The Healthcare Quality Delivery and Access Act is designed to provide weighted distribution of funding based on Medicaid claims and volumes. The Act includes a special weighted subsidy for non-urban hospitals to offset their lower volume of care. The funding received by hospitals is not contingent on ensuring an improvement in access, services, or healthcare outcomes for New Mexicans.

- On average, despite most non-urban hospitals becoming profitable following the disbursement of the Healthcare Quality Delivery and Access Act, their margins are much smaller and raise concerns about long-term viability.
  - Presbyterian Downtown will receive \$196 million
  - Lovelace Medical Center will receive \$180 million
  - Gerald Champion Regional Medical Center in Alamogordo will receive \$37 million
  - Cibola General Hospital in Grants will receive \$17 million
- Of note, based on cost reports Rehoboth McKinley will not become profitable even after disbursement.

# Healthcare Quality Delivery and Access Act

- Performance measures do not include metrics measuring healthcare outcomes and access over the next five years

The Hospital Quality and Delivery Access Act is designed to disburse 60 percent of the funds initially based on Medicaid service volume, and 40 percent based on quality.

- The 40 percent of funds based on performance is not linked to ensuring healthcare access for patients.

<b>Hospital-Wide All-Cause Unplanned Readmission Measure (HWR)</b>
<b>Patient Safety Indicator (PSI) 90: Patient Safety and Adverse Events Composite (Serious Complications that Patients Experience during a hospital stay or certain Inpatient Procedures)</b>
<b>Severe Sepsis and Septic Shock: Management Bundle (Composite Measure)</b>
<b>Early Elective Delivery [Percentage of mothers whose deliveries were scheduled too early (1-2 weeks early), when a scheduled delivery wasn't medically necessary]</b>
<b>HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Hospital Inpatient Survey: Communication with Doctors</b>
<b>HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Hospital Inpatient Survey: Communication with Nurses</b>
<b>Care Coordination for Mental Health Emergency Department Visit Follow-Up</b>
<b>Screening, Brief Intervention, and Referral to Treatment</b>



# Private Equity Owned Hospitals

- The increase in private equity owned hospitals raises concerns for the fiscal and qualitative viability of hospitals in New Mexico.

Private equity firms are increasingly purchasing hospitals both nationally and in New Mexico.

- National, peer-reviewed research demonstrates that quality of care and number of patients treated decline when hospitals are owned by private equity firms.
- The passage of the Health Care Consolidation Oversight Act creates additional transparency in collaboration with the Office of Superintendent of Insurance (OSI). The Act currently provides limited review and oversight of qualitative metrics including healthcare outcomes, patient safety, and ensuring access to care.
- The Health Care Consolidation Oversight Act gives the OSI oversight of certain transactions involving hospitals through June 30, 2025. OSI is conducting public town hall reviews of the current statute and plans to revise the law. Other models for consideration include:
  - Oregon's Healthcare Market Oversight Program
  - National Academy for State Health Policy's Market Oversight Model Legislation

# Conclusion

- Hospital net income declined between 2022 and 2023
- The state Legislature committed substantial investments into hospitals. To date, much of the allocated funds are not budgeted, encumbered, nor expended
- The Healthcare Quality Delivery and Access Act performance measures do not include metrics measuring healthcare outcomes and access over the next five years
- The increase in private equity owned hospitals raises concerns for the long-term fiscal viability of hospitals in New Mexico.
  - National data has shown patient outcomes are worse in these hospitals.
  - OSI and others are considering adopting market oversight legislation may help reduce these concerns.