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FISCAL IMPACT REPORT

SPONSOR: HGUAC DATE TYPED: 03/06/01 HB CS/322/aHJC
 SHORT TITLE: Exempt County Hospital from Procurement Code SB _____
 ANALYST: Carrillo

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Health Policy Commission

SUMMARY

Synopsis of Amended Bill

The House Government and Urban Affairs Committee substitute for House Bill 322 has been amended by the House Judiciary Committee to set requirements for termination of contracts for the lease or operation of a county hospital and exempts such contracts from the Procurement Code.

The HJC amendment specifically adds a new section to the substitute bill for the use of public funds for the operation and maintenance of a hospital pursuant to a lease authorized by Chapter 3, Article 44 NMSA 1978 deemed to be funding to the hospital as a public institution, and the hospital facility and lessee thereof are subject to the laws of this state regarding the expenditure of public money.

Significant Issues

The Health Policy Commission (HPC) staff comments:

Amends Sections 3-44-1, 3-44-3, 3-44-5, 4-48A-9, and 4-48B-4 NMSA 1978 to allow the termination of a lease by a governing body without cause after the first three years of the lease and if 180 days notice is given.

Amends Section 5-58B-5(1)(J) NMSA 1978 to supersede lease termination provisions during the portion of a lease term in which a lessee is obligated under the lease to make debt service payments on revenue bonds that finance all or part of the hospital or equipment for the hospital.

Amends Section 13-1-98 NMSA 1978 to include, as exempt from the Procurement Code, contracts formed by a local public body with another person, firm, corporation or state educational institution in Article 12, Section 11 of the New Mexico Constitution for the lease or operation of a county hospital pursuant to the Hospital Funding Act or a hospital under the Special Hospital District Act.

Amends Section 13-6-2 NSA 1978 to exempt leases of county hospitals under the Hospital Funding Act from this section—governing the sale or disposal of property.

May limit the review process set forth in the Procurement Code to ensure that a local public body chooses, and justifies the choice of, the entity that will run their hospital. Decisions would be subject to the moral, ethical, and healthcare knowledge of the public body making the decision with no oversight by the Department of Finance and Administration as there is currently under the Code.

May increase the options of a public body by providing bargaining leverage that is unavailable under the Procurement Code.

Provides a defined time frame of notice to the lessee of a public hospital that a lease may be terminated if the lessee has been in the contract for three years or more. This is important to help prevent any interruption in service to patients and provides an adequate time-frame for the lessee's management practices to affect the performance of the hospital.

Implies that before the lessee has operated the public hospital for three years, the contract can be canceled without 180 days notice. This has the potential to cause lengthy and potentially dangerous disruption of service to patients in the event a lease is immediately terminated.

FISCAL IMPLICATIONS

None identified at this time.

WC/jsp:ar