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FISCAL IMPACT REPORT

SPONSOR Fox-Young DATE TYPED 1/25/05 HB 214

SHORT TITLE Daily Bed Surcharge Repeal SB _____

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY06			
(4,750.0)	(19,500.0)	(20,000.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 77, HB 213, SB44

SOURCES OF INFORMATION

Responses Received From
Human Services Department (HSD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

HB 214 repeals the daily bed surcharge imposed on nursing homes, intermediate care facilities for the mentally retarded and residential treatment centers. Also, the bill repeals the sections of law pertaining to the distribution of the associated revenues to the general fund for purposes of funding the Medicaid program.

The bill carries an emergency clause, making it effective upon approval by the governor.

FISCAL IMPLICATIONS

The general fund revenue losses shown for FY05 and FY06 simply reflect consensus revenue estimate developed in December. These revenue estimates are based upon the initial full-year fiscal impact estimate of \$22.5 million developed during the 2004 session adjusted for collections to date.

The FY05 fiscal impact estimate assumes the repeal takes effect on April 1. Based on the FY05

revenue estimate of \$19 million for the bed tax in FY05 and the assumption that the emergency clause ends the tax in April, the revenue impact is \$4.75 million, or one fourth of total estimated revenue. The FY06 impact of \$19.5 million reflects the entire amount estimated for this revenue.

ADMINISTRATIVE IMPLICATIONS

HSD reports that bed rates for nursing homes and intermediate care facilities, which were changed effective July 1, 2005, would need to be reduced.

TRD indicates that repealing the bed tax would result in administrative savings to the department.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 213 is nearly identical to HB 214. The only difference is that HB 214 carries an emergency clause.

HB 213 also relates to HB 77 and SB 44 (duplicate bills). These repeal the bed tax and the income tax credit provided to private pay beds.

SUBSTANTIVE ISSUES

Bed tax revenues are earmarked to the Medicaid program. HSD's analysis notes that the federal government's Centers for Medicare and Medicaid Services (CMS) does not have a concern with bed surcharge revenues per se; their concern relates to the income tax credit. Unless the tax credit is repealed, CMS will not allow bed surcharge revenue to be used as a state match to Medicaid program. The federal government pays for approximately 73 percent of the Medicaid program. Thus, a net loss of \$19.5 million in general fund revenues in FY06 implies a loss of approximately \$53 million in federal funds for Medicaid unless other revenues from the general fund are used to replace bed surcharge revenues. The impact in FY05 would be approximately one fourth the full year impact.

HSD says that revenues lost from the repeal of the bed surcharge "would result in the enforcement of additional cost containment measures".

BT/lg:yr