

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Luna DATE TYPED 2/18/05 HB 766

SHORT TITLE Health Care Facility Access Task Force SB _____

ANALYST Hanika-Ortiz

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|-------|-----------------------------|------|----------------------|---------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | \$0.1 | | | Recurring | |

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Health Policy Commission (HPC)
 Public Regulation Commission (PRC)
 Office of the Attorney General (AGO)

SUMMARY

Synopsis of Bill

HB 766 creates a 12-member Health Care Facility Access Task Force to study the effects of the merger or consolidation of health care facilities providing outpatient services in rural and urban areas on patient access and the local economy. The task force would serve through October 31, 2005, and report its findings to the legislature by December 31, 2005.

Significant Issues

In addition to studying impact of mergers and consolidations, the task force would be responsible to study:

- the feasibility of requiring a facility to demonstrate the effect of a merger or consolidation on patient access to care,
- the impact on patients when mergers and consolidations of health care facilities occur in rural areas,
- the economic impact of mergers and consolidations of health care facilities on rural areas.

PERFORMANCE IMPLICATIONS

HB 766 may impact the DOH Strategic Plan to look at ways to improve access to health services.

FISCAL IMPLICATIONS

It is unclear what agency will pay the task force members per diem and mileage.

If study is successful, there could be an administrative and fiscal impact on agencies and public and private health care facilities providing outpatient services.

ADMINISTRATIVE IMPLICATIONS

DOH will provide administrative support with existing staff and resources.

TECHNICAL ISSUES

The HPC suggests defining the following terms:

- Merge
- Rural
- Urban
- Outpatient therapeutic services
- Administrative support
- Minority party

The DOH reports the focal point of the proposed study is health care facilities providing outpatient therapeutic services. This is a broad category that could include a wide range of different facilities: community-based primary care centers; rural health clinics; hospital outpatient clinics; mental health centers; substance abuse treatment centers; outpatient surgical centers; and similar agencies. Mergers and consolidations have different implications for each of these different types of facilities.

Consider restricting the scope of the study to a narrower range of facilities.

Suggest an amendment to allow for Native American representation on the task force.

OTHER SUBSTANTIVE ISSUES

The HPC has the following comment from “Which Types of Hospital Mergers Save Consumers Money”:

- Some view points on mergers include:
 - Larger systems can provide consumers with more comprehensive health care.
 - Mergers that occur in highly concentrated markets decrease competition and lead to price increases, therefore may be detrimental to consumers.
 - Mergers may lead to geographic barriers to accessing health care.

- Other considerations for studies of mergers:
 - Markets may behave differently depending on the concentration of for profit and nonprofit facilities.
- A study of 3,500 short-term general hospitals involving 122 horizontal mergers from 1986 to 1994 shows the following findings:
 - Most of the mergers resulted in price reductions of about 7 percent.
 - Market concentration level is related to the amount of price reduction resulting from mergers. They appear to be negatively correlated – the higher the market concentration tended to be, the lower the amount of price reduction was apparent.
 - Level of penetration by Health Maintenance Organizations (HMOs) within a market also appeared to be positively correlated with price reduction associated with mergers.
 - Some other characteristics that seemed to be indicative of higher price reductions relating to mergers included:
 - Lower occupancy level hospitals
 - Non-teaching status hospitals
 - Non-system hospitals
 - Hospitals of comparable size

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

HPC notes study findings could support future policy decisions on health care facility mergers and consolidations that may be beneficial to the welfare of consumers. The study may also encourage further efforts for monitoring prices and quality of health care in relation to mergers and consolidations.

Not enacting this bill may mean that policy makers and others are less informed of the impact that mergers and consolidations can have on health care markets.

AHO/lg