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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/07

SPONSOR Wirth LAST UPDATED \_\_\_\_\_ HB 262/HHGACS

SHORT TITLE Santa Fe Sole Community Provider Program SB \_\_\_\_\_

ANALYST Weber

### APPROPRIATION (dollars in thousands)

| Appropriation |      | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|------|-------------------------|------------------|
| FY07          | FY08 |                         |                  |
| \$3,700.0     |      | Recurring               | General Fund     |
|               |      |                         |                  |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 503

### REVENUE (dollars in thousands)

| Estimated Revenue |      |      | Recurring<br>or Non-Rec | Fund<br>Affected    |
|-------------------|------|------|-------------------------|---------------------|
| FY07              | FY08 | FY09 |                         |                     |
| \$9,500.0         |      |      | Recurring               | Federal<br>Medicaid |
|                   |      |      |                         |                     |

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

House Health Government Affairs Committee Substitute for House Bill 262 appropriates \$3.7 million from the general fund to the Local Government of the Department of Finance and Administration for use in Fiscal Years 2007 and 2008 to match the Sole Community Provider

Fund in Santa Fe County.

The bill contains an Emergency Clause.

### **FISCAL IMPLICATIONS**

The appropriation of \$3.7 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2008 shall revert to the general fund.

### **SIGNIFICANT ISSUES**

A Medicaid-related revenue source for hospitals is the Sole Community Provider Program. For FY06, this program had a total of \$98.3 million available for participating New Mexico hospitals. Of this total \$27.6 million is generated at the county and \$70.7 million is federal match. The federal government is the final arbiter for hospital participation, but the basic criterion is being the only hospital in a 35 mile radius. For that reason, no Albuquerque hospitals are included. A formula in federal regulations determines the maximum each hospital may receive and the maximum for the state. The county funding source is the indigent fund raised through gross receipts tax. In New Mexico 27 hospitals and 27 counties participate. For FY06 St. Vincent will receive almost \$22 million from the program. This amounts to almost 12 percent of the facility's total revenue.

A "sister" program to sole community provider program is the Upper Payment Limit Program and essentially allows through a formula a payment that partially compensates for the lower reimbursements for hospital patient care paid by state Medicaid. St. Vincent receives another \$5.3 million under this program boosting total payments for the two programs to almost \$27 million.

The federal funds are made available through the Medicaid program and typically the county or counties served by the particular hospital provide the government match. Santa Fe County did not provide the entire match required for St. Vincent in Santa Fe County to receive the maximum available under the Upper Payment Limit Program and ultimately Human Services provided \$661.6 thousand to allow the total reimbursement. For FY07 Santa Fe County again reports an inability to provide the match needed to maximize the federal reimbursement to St. Vincent and HSD has prepaid \$1.2 million from the general fund for this purpose. DFA reports the funds are to be "repaid" by April 2007. If Santa Fe County does not have the funds or refuses to fully participate in the program it is uncertain how the funds can be returned since only government entities are allowed to participate precluding St. Vincent from reimbursing HSD.

The 2006 *County Financing of Healthcare* published annually by the Health Policy Commission reports on indigent fund revenues and expenditures for all New Mexico counties. For FY06 Santa Fe County contributed approximately \$6.5 million toward the Sole Community Fund for St. Vincent. This amounted to 36.7 percent of the revenues related to County Indigent Fund and County Financing of Healthcare. In addition, the report notes Santa Fe County expended \$3.2 million in emergency medical services. The disposition of all funds is not detailed in the report but implies additional expenditures are for other medical services. However, the Sole Community Provider Program is matched at approximately 22 percent state to 78 percent federal.

For 2005 the *County Financing of Healthcare* shows \$5.7 million, 35 percent of the revenues noted above. The emergency services were \$3 million in this year.

Since most New Mexico counties participate in the program many others may request the same consideration. With the total county share at over \$30 million the potential liability to the general fund is a consideration.

MW/mt