F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/05/08
SPONSOR Varela **LAST UPDATED** 2/13/08 **HB** 615/aHAFC/aHFl/aSFl

SHORT TITLE Distributions to Sole Community Provider Fund **SB**

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	See Narrative		Recurring	Federal Funds

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Taxation and Revenue Department (TRD)
Health Policy Commission (HPC)

SUMMARY

Synopsis of SFL Amendment #1

The Senate Floor amendment to House Bill 615 would make the provisions of the bill apply only to distributions through June 30, 2009. Otherwise the amended bill is the same as amended by House Floor amendment #1.

Synopsis of HFL Amendment #1

The House Floor amendment to House Bill 615 strikes most of the House Finance and Appropriations Committee amendments. The amended bill would allow transfer of any county local option gross receipts tax to the fund, not just the second 1/8 percent increment of the tax. The amendment also replaces language in the original bill so that a distribution to the sole community provider fund from revenue attributable to the county gross receipts tax will only occur if approved by a county's board of commissioners. The amount distributed each month will be equal to 1/12 of the annual amount approved by the county.

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendments to House Bill 615 clarify technical issues raised on the original bill. The amendments clarify that the amount of county local option gross receipts tax to be transferred by TRD to the sole community provider fund monthly would be 1/12 of amount approved for the year. The amendments also clarify that the amount transferred annually will be the amount approved by the county, not the amount calculated by HSD.

Last, the amendments would make use of the second 1/8 increment of the county local option tax for the sole community provider fund program option for counties that may want to fund the program with another funding source.

Synopsis of Original Bill

House Bill 615 would provide that a portion of the revenue generated by the second 1/8 percent increment of a county gross receipts tax be distributed to the sole community provider fund in an amount equal to the county's approved contribution for support of sole community provider payments as calculated by HSD. Any revenue left over from the second 1/8 percent increment after the transfer to the sole community provider fund will be transferred to the county for support of indigent patients, as under current law.

Because the bill contains an emergency clause its provisions will take effect immediately upon signing by the governor.

FISCAL IMPLICATIONS

If the bill passes with the emergency clause, the provisions of the bill are expected to take effect in the distributions made by TRD in March 2008, which will affect revenues accrued to January 2008. The Senate Floor amendment will provide that the provisions of the bill are effective only until the June 2009 distribution, which is for revenue accrued to May 2009.

The bill addresses concerns that a federal regulation could prevent New Mexico from using county matching funds for the sole community provider fund program because they require an intergovernmental transfer. If that federal regulation is allowed to take effect, the state would be forced to find state matching funds of approximately $51.7 million in FY09 or stand to lose an estimated $126.7 million in federal matching funds.

SIGNIFICANT ISSUES

The bill would change the distribution path of county local option gross receipts tax revenue so that revenue would be transferred directly from TRD to the sole community provider fund at HSD. Currently, TRD distributes revenue to counties, and counties that approve an amount for the sole community provider fund transfer funds to HSD through an intergovernmental transfer. Currently, a federal regulation has been adopted that disallows use of intergovernmental transfers of this type. Congress currently has imposed a moratorium on the rule until June 30, 2008, but if the rule is allowed to take effect after that point, this legislation will be necessary to prevent loss of federal matching funds.

The sole community provider fund program is a part of Medicaid. The program's state match is provided by counties via an intergovernmental transfer to HSD. Federal funding for the program is allocated to each state to supplement the gap between the state's Medicaid provider rates paid to hospitals and the actual costs of hospitals. This gap has been widening in recent years, causing the cost of the program to grow. As the cost of the program grows, counties find it more difficult to make the maximum matching payments to maximize federal funds.

By February 15 of each year, hospitals that qualify for the sole community provider fund program submit a request to their county for funding in the upcoming fiscal year. HSD separately calculates the maximum amount each county is approved to receive based on the amount of federal funds allotted to the state and a formula that adjusts the previous year's amount for inflation and supplemental payments. Under current law, amounts are approved by counties and hospitals receive the lesser of the amount calculated by HSD or the amount approved by the county. The amount approved by counties is often less than the amount calculated by HSD due to counties' difficulty in providing matching funds.

HSD reports that in FY08, the sole community provider fund program will pay out $138.2 million. Of that, $39.5 million will be from the county/state share and $98.7 million will be from the federal government. HSD estimates the program will total $178.4 million in FY09, with $51.7 million in county/state funding and $126.7 million federal funds.

ADMINISTRATIVE IMPLICATIONS

The bill will require coordination between TRD and HSD so that TRD knows how much revenue to distribute for each county to the sole community provider fund and how much left over revenue to distribute to the counties.

TECHNICAL ISSUES

The House Floor amendments address the fact that the amount of each county's revenue that would be distributed to the community sole provider fund would be approved by counties annually, while revenue distributions made by TRD to the fund would be made monthly.

The House Floor amendments also clarify that the amount distributed to the sole community provider fund will be based on the annual amount approved by the county, not the amount calculated by HSD. The amount approved by the county and the amount calculated by HSD are two separate amounts that may not be equal.

The bill could still be amended further to clarify what amount should be transferred to the sole community provider fund in a month in which revenue available for transfer is less than 1/12 of the annual amount approved by a county.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Starting in FY09, the state could be forced to find over $50 million for the state portion of Medicaid matching or lose about $126 million in federal Medicaid matching if a federal rule disallowing intergovernmental transfers is allowed to take effect.

SS/mt:bb