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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/09
 LAST UPDATED 02/18/09 HB 543/aHHGAC

SPONSOR Picraux

SHORT TITLE Sole Community Provider Annual Report SB _____

ANALYST Chabot

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	None		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.1	\$0.1	\$0.1	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Department of Information Technology (DoIT)
 New Mexico Health Policy Commission (HPC)
 University of New Mexico (UNM)

SUMMARY

Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee amendment to House Bill 543 changes the reporting date to the Legislative Health and Human Services Committee to December of each year. It changes the reporting criteria. In addition, it deletes the four mandatory reporting items and replaces them with the following:

- Total federal matching funds received;
- Total county indigent funds received;

- Total other patient funds received;
- Total operating expense; and
- Total capital expense.

HPC comments “The HHGAC amendment to HB543 would lessen the administrative burden to the HPC by providing the agency with an additional month to complete the report. Currently, counties are statutorily required to annually report county financial and service data to the HPC by October 1 of each year. This would give the agency two months from the time the data is received to complete the report. “

Synopsis of Original Bill

House Bill 543, Sole Community Provider Annual Report, enacts new statute requiring HPC to develop, implement and publish an annual standardized report, by November 1 each year, on the Sole Community Provider (SCP) fund, including spending and costs, and report its finding to the Legislative Health and Human Services Committee. The following **shall** be reported:

- How federal matching funds were used;
- How county indigent funds were used;
- The percentage of funds that were used for direct medical services; and
- Whether funding and expenditure of funds are in compliance with federal law and regulation.

The following **may** include preceding fiscal year hospital-by hospital information:

- The hospital's operating costs, which are the expenses required to deliver health care, including interest, depreciation, amortization and overhead, exclusive of bad debt;
- Measures that the hospital uses to promote efficiency and economy;
- The hospital's gross patient charges, which are the non-discounted amounts the hospital requires that all patients be charged for care;
- The hospital's cost-to-charge ratio, which is derived by dividing total operating costs, exclusive of bad debt at cost, by gross patient charges;
- The actual cost of uncompensated care;
- Bad debt that the hospital incurred, which consists of accounts written off on a gross charge basis for services for which payment was anticipated but not received;
- Charity care or indigent care costs, which is health care services provided to patients who are not able to pay and from whom the hospital anticipates no payment;
- The total number of indigent patients served by the hospital;
- The total number of encounters with indigent patients by the hospital; and
- The total shortfall of actual costs over payments received from Medicaid, Medicare or other health care coverage that does not cover all of the costs associated with the hospital's service to all patients.

FISCAL IMPLICATIONS

The bill does not include an appropriation; however, expenses will be incurred in obtaining data, analyzing the data, preparing the report and distributing the report.

SIGNIFICANT ISSUES

As background information, HPC provides the following:

Sole Community Provider Program

Section 27-5-6.1, NMSA 1978 of the Indigent Hospital and County Health Care Act establishes the SCP Program. The Program is administered by the New Mexico Human Services Department (HSD) and consists of funds provided by counties to match federal funds for Medicaid SCP hospital payments. SCP funds are appropriated to HSD to provide SCP hospital payments pursuant to the Medicaid Program.

The SCP Program is a federal/state payment program designated for hospitals that are the only hospital in a community. If a hospital is the only hospital in a community and the sole source of care for individuals, then it will have un-reimbursed operating expenses. The SCP Program was created because hospitals and hospitals' emergency rooms were often the care provider of last resort for indigents and costs associated with that situation would require additional reimbursement from the federal government.

The SCP Program was created primarily to promote access to Medicare and Medicaid beneficiaries and also to provide additional payments to SCP hospitals that had experienced significant volume decrease, but whose access was critical to local residents.

The federal criteria for SCP hospitals were developed in the late 1980s and require that a SCP hospital be a rural hospital that meets one of the following conditions:

- Located more than 35 miles from other like hospitals;
- Any urban hospital more than 35 miles from other like hospitals is also considered a SCP hospital;
- No more than 25% of residents who become hospital inpatients or no more than 25% of the Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals located within a 35-mile radius of the hospital, or if larger, within its service area; or
- Has fewer than 50 beds and would admit at least 75% of the inpatients from its service area except that some patients seek specialized care unavailable at the hospital; and
- Other like hospitals are inaccessible for at least 30 days in 2 out of 3 years because of local topography or prolonged or severe weather conditions.

The benefit to a hospital of meeting the SCP hospital criteria is a higher payment rate in addition to being eligible to participate in the supplemental SCP payment program.

Currently, all of New Mexico's licensed acute care hospitals, with the exception of nonpublic hospitals in Albuquerque, are Sole Community Providers. Through the enactment of Section 27-5-4 NMSA 1978, the existing Las Cruces and Santa Fe hospitals would also remain Sole Community Providers irrespective of whether a second facility was built within those communities. Any deviation from this provision would require a change to this statute.

ADMINISTRATIVE IMPLICATIONS

HPC asserts “HB543 would pose an additional administrative burden on the HPC. The bill maintains the current statutory duties of the HPC under the Health Information Systems Act and creates additional duties beyond the current statutory requirements of the HPC. The HPC is a small agency with limited FTEs. The agency is currently operating at capacity.”

LFC records reflect HPC has had an essentially flat budget since 2003 and the budget was approximately \$2.5 million as a high point in FY98 to \$1.3 million today. FTE have been reduced from a high of 18 to 15 over the same period.

OTHER SUBSTANTIVE ISSUES

HPC would like include the required report in its existing *County Financing of Health Care* report to lessen the administrative burden.

HPC includes some information on the SCP program in its existing report including recent and supplemental upper payment limit provider payments to SCP Hospitals in New Mexico and quarterly funds available to the hospitals if the hospitals arrange matching shares by the county.

According to HPC’s November 2008 *County Financing of Health Care* report, six of the thirty reporting counties contribute to or have available funds to contribute to the program.

POSSIBLE QUESTIONS

1. What is the need for this information?
2. How will this information be used?
3. What other HPC tasks can be reduced or eliminated so it can prepare this report?

GAC/mt:svb