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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 02/20/15 **HM** 33

SPONSOR Armstrong

SHORT TITLE Study Uncompensated Health Care **SB** _____

ANALYST Boerner

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Department of Health (DOH)

SUMMARY

House Memorial 33 requests that the Legislative Finance Committee and the Department of Health study uncompensated health care in New Mexico hospitals, and to report its findings to the legislative finance committee and the legislative health and human services committee by October 1, 2015.

FISCAL IMPLICATIONS

If incorporated into the regular rotation of performance reviews conducted by the Legislative Finance Committee, there should be no additional fiscal impact for the LFC. Likewise, the fiscal impact for DOH is estimated to be negligent.

SIGNIFICANT ISSUES

In October of 2014 the Legislative Finance Committee released a report, *Human Services Department and Department of Finance and Administration County-Financed Health Care and the Local DWI Grant Program* that reviewed the role of county indigent programs and funding of rural hospitals under the Safety Net Care Pool. The report found that implementation of the Affordable Care Act and Medicaid expansion will greatly reduce the need for counties to pay for indigent health care and reduce hospital uncompensated care through supplemental Medicaid payments. Some of the requested analysis in House Memorial 33 is contained in the report.

(View the report here:

<http://www.nmlegis.gov/lcs/lfc/lfcdocs/perfaudit/Human%20Services%20Department%20and%20Department%20of%20Finance%20and%20Administration%20-%20County-Financed%20Health%20Care%20and%20the%20Local%20DWI%20Grant%20Program.pdf>)

However, to date, there is still limited understanding of the impacts of Medicaid expansion. As noted in the LFC report, the Patient Protection and Affordable Care Act and Medicaid expansion will have wide-ranging impacts on health care costs and coverage in the state. For example, the LFC report noted that some New Mexico hospitals may be overcompensated for uncompensated care, receiving payments that exceeded costs of Medicaid and uninsured uncompensated care, and with Medicaid expansion and new health insurance options for New Mexicans, the need for county indigent programs will diminish significantly. Further, while cost savings from ACA and Medicaid expansion are expected, these gains must be measured against the gradual reduction in federal matching funds (from 100 percent to 90 percent) for the Medicaid expansion population estimated to be a \$94 million impact to the state's general fund in FY218.

It is important to obtain fair and balanced information about the impacts of the ACA and Medicaid expansion so that limited state resources can be reprioritized effectively to address ongoing areas of need, of which there are many.

OTHER SUBSTANTIVE ISSUES

The Department of Finance and Administration should be listed as a recipient of the final report indicated in this bill.

TECHNICAL ISSUES

Given the significant role in oversight of Medicaid coverage and the establishment of policy regarding the state's new Safety Net Care Pool for uncompensated care, the Human Services Department as a participant in the creation of the report prescribed by HM 33.

There is conflicting or confusing information on page 1 lines 22 to 25 and page 2 line 1 related to the amount of health coverage premium is estimated to cover the costs of uninsured health care services provided. As written, the sentences indicates that \$2,300 of the average premium of a family health coverage plan was attributable to uncompensated care; however, the sentence then references an average premium for a single health coverage plan that is less than the portion supposed to be attributable to uncompensated care. Perhaps family/single plans or monthly/annual costs have been used inconsistently.

CEB/bb