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FISCAL IMPACT REPORT

SPONSOR Neville ORIGINAL DATE _____
LAST UPDATED 02/05/15 HB _____

SHORT TITLE Safety Net Fund Payments to Local Hospitals SB 191

ANALYST Boerner

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 117 (Rodriguez) Sunset County Gross Receipts to Safety Pool

Relates to House Bill 323 (Rehm) County Hospital Funding Property Tax Levy

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Senate Bill 191 would amend existing law related to the Safety Net Care Pool (SNCP) program administered by the Medical Assistance Division under HSD. It would require that quarterly SNCP payments to a hospital or hospitals within a specific county equal or exceed that county's contribution to the program.

FISCAL IMPACTS

HSD notes there are no specific fiscal implications for HSD; however, the bill would result in a reallocation of payments made to hospitals under the SNCP program.

As explained in further detail below, SB 191 would change the allocation methodology approved by the Centers for Medicare and Medicaid Services (CMS) under New Mexico's Centennial Care waiver.

SIGNIFICANT ISSUES

The SNCP program operates under the Medicaid Centennial Care waiver approved by the Centers for Medicare and Medicaid Services (CMS) and became effective January 1, 2014. There is approximately \$69 million dollars allotted for this program in each of the five years of the waiver. Payments to hospitals are based on, and do not exceed, a hospital's reported uncompensated care costs. The approved allocation methodology for this program directs a relatively larger proportion of the funds to be paid to the state's smaller hospitals. The rationale supporting this allocation methodology is that larger hospitals will benefit more than smaller hospitals from a related increase in hospital reimbursement rates for inpatient services and increased enrollment due to the expansion of Medicaid to more eligible low income adults. The SNCP and rate increase replaced the Sole Community Provider Program.

Some of the funding for the SNCP comes from a county contribution. Under current law, each county (except for Sandoval and Bernalillo) must contribute one-twelfth of a percent of its matched taxable gross receipts. This amount ranges from less than \$100 thousand annually for the smallest counties, to \$2 million to \$4 million for the counties with the highest matched taxable gross receipts.

SB 191 would shift payments under the SNCP to larger hospitals, particularly those in Doña Ana, Lea, San Juan, and Santa Fe counties; consequently, smaller hospitals may not receive payments that cover their uncompensated care costs.

PERFORMANCE IMPLICATIONS

If smaller hospitals have significant unreimbursed uncompensated care costs, this could adversely affect their performance on quality metrics and quality of care.

ADMINISTRATIVE IMPLICATIONS

HSD notes it would need to re-formulate its allocation methodology under the SNCP program and would likely need to amend its waiver and seek approval from CMS. Amending this section of the waiver could open unrelated sections of the waiver for CMS review and require additional changes.

TECHNICAL ISSUES

HSD notes two issues in the bill that need clarification:

- For counties with two hospitals, would the payment for each hospital need to equal or exceed the county's contribution or would it be the sum of the payments made to both hospitals?
- Would payment to a hospital be capped so that it does not exceed that hospital's reported uncompensated care, even if the county contribution exceeded that cap? If not, state law would be in conflict with federal requirements.