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FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/17

SPONSOR Rehm LAST UPDATED _____ HB 103

SHORT TITLE Hospital Indigent Health Care Reports SB _____

ANALYST Dulany

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

University of New Mexico Health Sciences Center (UNM HSC)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 103 requires a class A county with a county hospital operated and maintained pursuant to a lease or operating agreement with a state educational institution named in Article XII, Section 11 of the Constitution of New Mexico to file an annual report on all of its indigent health care funding. The report shall contain such county’s eligibility criteria for indigent patients, services provided to indigent patients, restrictions on services provided to indigent patients, conditions for reimbursement of providers of health care, revenue sources used to pay for indigent health care, and other related information determined by LFC.

HB 103 requires the report to include other information, including the amount of the county’s contribution to the operation and maintenance of its county hospital and actual cost of indigent care services with a breakdown by category of service setting. The report is required to be submitted by October 1 of each year to HSD and LFC on a form approved by LFC.

Finally, the bill provides a definition for “indigent patient” as it relates to the provisions of the bill.

FISCAL IMPLICATIONS

UNM HSC states the fiscal impact of HB 103 is indeterminate. HSC indicates at present it “substantially provides the reporting to Bernalillo County necessary to comply with” HB 103. As a result, any fiscal impact associated with the reporting requirements contained in HB 103 is expected to be minimal.

SIGNIFICANT ISSUES

UNM Hospital appears to be the only hospital affected by HB 103. UNM HSC states it currently reports many of the items required in HB 103. In October 2016, a special audit commissioned by the state auditor reviewed the reports UNM Hospital provides to the county, among other items, and outlined its findings in the attachment.

ADMINISTRATIVE IMPLICATIONS

According to UNM HSC, the reporting structure to meet the requirements for HB103 are largely in place currently so there is not expected to be significant administrative implications to this request.

OTHER SUBSTANTIVE ISSUES

Concerning UNM’s lease agreement with Bernalillo County, UNM HSC reports the following:

Bernalillo County is required to impose a mil levy under the terms of the 1952 Federal Contract and lease agreements between UNM, the Indian Health Service (IHS), and Bernalillo County. Under the Hospital Funding Act, the proceeds of the mil levy are designated for the operations and maintenance of UNM Hospital.

UNM states the significant governing documents related to the hospital lease are as follows:

A. On June 18, 1952, the United States, through the Commissioner of Indian Affairs, the Board of County Commissioners of the County of Bernalillo through its chair, and the Board of Trustees of the Bernalillo County Hospital through its chair entered into a contract, which is known as the “Federal Contract.” The Federal Contract, as it has been amended in Amendments One, Two, and Three, is a contract in perpetuity and continues in force to the present day. The Federal Contract provides for the operation of a licensed hospital by the county on land that was conveyed to the county by the Bureau of Indian Affairs, and it provides that not less than 100 beds will be available when required for Native American patients, provided that Pueblo Indians of New Mexico shall have first call on and priority to the use of said 100 beds so reserved for Indian use.

B. On January 24, 1978, the County and UNM entered into the first lease agreement (1978 Lease Agreement), which provided that the university would receive and treat Native American patients in accordance with the Federal Contract. The IHS provided its consent to the 1978 Lease Agreement on June 29, 1978. The 1978 Lease Agreement was subsequently amended by the First Supplemental Lease Agreement dated as of August 17, 1978, the Second Supplemental Lease Agreement dated effective as of December 1, 1981, the Third Supplemental Lease Agreement dated effective as of January 1, 1985, and the Fourth Supplemental Lease Agreement dated December 20, 1988 (as amended, First Lease).

C. The county and the university entered into the second lease agreement for operation and lease of county healthcare facilities with an effective date of July 1, 1999, pursuant to the Hospital Funding Act (1999 Lease Agreement). The 1999 Lease Agreement superseded in its entirety the First Lease. IHS consented to the Lease Agreement on October 18, 1999. The 1999 Lease Agreement was amended by the First Amendment to Lease Agreement for Operations and Lease of County Healthcare Facilities dated November 18, 2004 (as amended, 2004 Lease Agreement), under which the university is operating the University of New Mexico Hospital (also known as the University of New Mexico Hospital/Bernalillo County Medical Center), and the University of New Mexico Mental Health Center. In the 2004 Lease Agreement, the university assumed all of the County's obligations under the Federal Contract save and except the obligation to impose the mill levy for the operation and maintenance of the Hospital and Mental Health Center. The IHS consented in writing to the 2004 Lease Agreement in the First Amendment to the Agreement Regarding Consent to Lease Agreement dated June 8, 2004 (the "2004 Consent"). The All Pueblo Council of Governors consented to this amendment.

The bill requires the report on indigent care be provided to the Human Services Department and to the Legislative Finance Committee but, other than making the report available to interested parties, does not specify how the report is to be used.

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**University of New Mexico Health Science Center
Indigent Care Cost and Funding Report
UNM Hospitals and UNM Medical Group - Bernalillo County**

	For the year ended June 30,		
	2016	2015	2014
A Funding for Indigent Care			
A1 State appropriations specified for indigent care - Out of County Indigent Fund	\$ -	\$ 662,600	\$ 664,400
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	9,242	178,286	1,201,240
A4 Payments and copayments received from uninsured patients qualifying for indigent care	218,282	268,002	576,733
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	3,803,588	5,744,452	2,308,667
A6 Charitable contributions received from donors that are designated for funding indigent care	350,081	333,659	-
Other sources			
A7 Other source 1 (if applicable)	-	-	-
Total Funding for Indigent Care	<u>4,381,194</u>	<u>7,186,999</u>	<u>4,751,039</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	17,901,249	52,620,806	85,245,201
B2 Patients qualifying for coverage under EMSA	7,166,115	8,292,489	4,058,552
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	35,454,764	18,693,542	25,554,558
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	<u>2,016,562</u>	<u>751,209</u>	<u>12,368,927</u>
Total Cost of Providing Indigent Care	<u>62,538,689</u>	<u>80,358,046</u>	<u>127,227,238</u>
Excess (Shortfall) of Funding for Indigent Care to Cost of Providing Indigent Care	<u>\$ (58,157,496)</u>	<u>\$ (73,171,047)</u>	<u>\$ (122,476,199)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	68,214	51,067	50,314
C2 Total number of patient encounters receiving indigent care	139,853	116,531	167,768

**University of New Mexico Health Science Center
Indigent Care Cost and Funding Report
Sandoval Regional Medical Center and UNM Medical Group - Sandoval County**

	For the year ended June 30,		
	2016	2015	2014
A Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	90	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	5,849	4,462	21,567
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	5,424	7,754	6,324
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other sources			
A7 Other source 1 (if applicable) - none	-	-	-
Total Funding for Indigent Care	<u>11,363</u>	<u>12,216</u>	<u>27,891</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	574,406	804,576	4,158,765
B2 Patients qualifying for coverage under EMSA	72,764	57,488	24,894
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	1,492,390	798,484	1,000,764
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
Total Cost of Providing Indigent Care	<u>2,139,561</u>	<u>1,660,548</u>	<u>5,184,423</u>
Excess (Shortfall) of Funding for Indigent Care to Cost of Providing Indigent Care	<u>\$ (2,128,198)</u>	<u>\$ (1,648,333)</u>	<u>\$ (5,156,531)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	2,386	2,348	2,274
C2 Total number of patient encounters receiving indigent care	2,720	3,316	5,011

**University of New Mexico Health Science Center
Calculations of Cost of Providing Indigent Care
UNM Hospitals and UNM Medical Group - Bernalillo County**

NOTE: This worksheet will not be included in the report prepared by the Office of the State Auditor. However, this worksheet should be completed and provided to the independent public accountant that is performing agreed-upon procedures on the related indigent care cost and funding report.

	For the year ended June 30,		
	2016	2015	2014
Uninsured patients qualifying for indigent care			
Charges for these patients	32,100,382	99,958,473	173,731,436
Ratio of cost to charges	<u>55.8%</u>	<u>52.6%</u>	<u>49.1%</u>
Cost for uninsured patients qualifying for indigent care	<u>17,901,249</u>	<u>52,620,806</u>	<u>85,245,201</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	13,257,231	15,982,876	8,259,086
Ratio of cost to charges	<u>54.1%</u>	<u>51.9%</u>	<u>49.1%</u>
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>7,166,115</u>	<u>8,292,489</u>	<u>4,058,552</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	60,496,455	34,534,492	50,626,511
Ratio of cost to charges	<u>58.6%</u>	<u>54.1%</u>	<u>50.5%</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>35,454,764</u>	<u>18,693,542</u>	<u>25,554,558</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	<u>2,016,562</u>	<u>751,209</u>	<u>12,368,927</u>
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**University of New Mexico Health Science Center
Calculations of Cost of Providing Indigent Care
Sandoval Regional Medical Center and UNM Medical Group - Sandoval County**

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	For the year ended June 30,		
	2016	2015	2014
Uninsured patients qualifying for indigent care			
Charges for these patients	1,223,002	1,674,750	8,674,978
Ratio of cost to charges	46.97%	48.04%	47.94%
Cost for uninsured patients qualifying for indigent care	<u>574,406</u>	<u>804,576</u>	<u>4,158,765</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	158,052	120,620	52,544
Ratio of cost to charges	46.04%	47.66%	47.38%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>72,764</u>	<u>57,488</u>	<u>24,894</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	3,256,184	1,676,464	2,105,189
Ratio of cost to charges	45.83%	47.63%	47.54%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>1,492,391</u>	<u>798,484</u>	<u>1,000,764</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>