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

SPONSOR Allison **ORIGINAL DATE** 1/21/2022 **LAST UPDATED** **HB** 38

SHORT TITLE Expand Rural Health Practitioner Tax Credit **SB**

ANALYST Chilton/Faubion

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY22	FY23	FY24		
	($38,150.0) ($44,715.0)	($38,150.0) ($44,715.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD Personnel Costs	$30.4	$60.9	$60.9	$152.1	Recurring	General Fund
Initial IT costs	$5.2			$5.2	Nonrecurring	General Fund
Total	$35.6	$60.9	$60.9	$157.3	Largely Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Regulation and Licensing Department (RLD)
Taxation and Revenue Department (TRD)
Department of Health (DOH)
Human Services Department (HSD)
Office of the Superintendent of Insurance (OSI)

SUMMARY

Synopsis of Bill

House Bill 38 amends the rural health care practitioner tax credit against income tax to add chiropractors and licensed midwives (all those licensed by the Department of Health) to the list of approved practitioners eligible to receive the credit. As is currently specified in Section 7-7-18.22 NMSA 1978, physicians, osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists would be eligible for a $5,000 annual credit; now, in addition, chiropractors and licensed midwives would be eligible to receive a $3,000 annual credit.

In addition, a $3,000 tax credit would be offered to emergency medical services (EMS) workers and other health care workers (broadly defined in Section 1(F)(4) of the bill) who had assisted any of those otherwise eligible to receive the tax credit in their care during the coronavirus pandemic.

As noted by OSI, "The bill adds a requirement for those practitioners who claim the Rural Health Care Practitioner tax credit to report the credit to the Department of Health, which is then required to report the information it collects to the Legislative Finance Committee and the Revenue Stabilization and Tax Policy Committee, including the number of taxpayers who were approved for the credit and the total value of the credits received." In addition, an assessment of the effectiveness of the tax credits – presumably at inducing practitioners to come to or remain in rural areas is to be reported.

There is no effective date of this bill, but the provisions apply to taxable years beginning on or after January 1, 2022.

FISCAL IMPLICATIONS

The 2021 New Mexico Health Care Workforce Committee Report[1] provides county-level estimates of almost all types of practitioners in medical and behavioral health fields – including independently licensed psychologists, social workers, counselors and marriage and family therapists – practicing in New Mexico. These data indicate that in 2020, there were 15,539 registered nurses, 1,434 certified nurse practitioners (advanced practice nurses), 154 certified nurse midwives, and 1,740 practicing pharmacists. The report indicates that 20 percent to 30 percent of these are practicing in rural areas. Data in the same report show that there are 4,384 active emergency medical technicians (EMTs) in New Mexico; it is estimated that between 20 to 30 percent are practicing in non-metropolitan areas according to data from the healthcare workforce committee report on behavioral health providers.

The New Mexico Hospital Association (NMHA) estimates that 30 to 35 percent of an estimated 39,000 hospital employees in New Mexico are employed in rural or frontier counties. (NMHA is unable to provide figures on employees of other types of health facilities such as skilled nursing facilities and retirement homes.) Therefore, leaving aside the employees of non-hospital

[1] 2021 New Mexico Health Care Workforce Committee Report , available at https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=1007&context=nmhc_workforce

facilities, LFC staff estimate that between 877 and 1,015 EMTs and between 11,700 and 13,650 hospital employees in rural areas would become eligible to receive the $3,000 tax credit under this bill, resulting in an estimated tax revenue reduction cost of between $38.15 million and $44.72 million annually, if all those newly eligible were to claim the full amount of the credit.

SIGNIFICANT ISSUES

According to the 2020 NM Health Care Workforce Committee report, without redistributing the current workforce, to bring all counties to benchmarks would require an additional 336 PCPs, 59 OB-GYNs, 11 general surgeons, 106 psychiatrists, 5,985 RNs and CNSs, 282 CNPs, 13 CNMs, 234 PAs, 40 dentists, 319 pharmacists, four LMs, 2,446 EMTs, 559 PTs and 114 OTs. As noted by TRD, "The continuation and expansion of the rural health care practitioners tax credit to attract providers to rural New Mexico during the Covid-19 pandemic when healthcare services are desperately needed in our rural communities, is among the 13 recommendations listed in the New Mexico Health Care Workforce Committee, 2021 Annual Report. The report mentions a need for measures to support health care practices in maintaining operations through this extreme downturn in revenue. The expansion of the rural health care practitioners' tax credit as proposed in this bill speaks to that very need."

New Mexico suffers a deficiency in most categories of medical and behavioral health providers, including chiropractic practitioners, licensed midwives, and emergency medical services providers who would be targeted for tax credit among the additions to those to be eligible to receive rural health care practitioner tax credits.

Other methods that have been used over recent time to attempt to attract and to retain health care practitioners to underserved portions of New Mexico have included:

- Loan repayment (see Senate Bill 23 for this year's version).
- Rural clinical rotations for medical and other health care students from the University of New Mexico, the Burrell School of Osteopathic Medicine, and other in-state and out-of-state institutions in rural and underserved areas.
- Expansion of residency training programs in non-metropolitan portions of New Mexico.
- Bachelor's degree – Medical Degree (B.A.-M.D.) Program at the University of New Mexico.
- Rural and Urban Underserved Program at University of New Mexico.

Success of these programs has often been difficult to determine. For example, the number of primary care physicians in New Mexico decreased by 376 from 2013 to 2019 according to the 2020 New Mexico Health Care Workforce Report, Similarly, the number of obstetrician-gynecologists decreased by 26, general surgeons decreased by 12, psychiatrists decreased by 25, nurses decreased by 174, and certified nurse-midwives decreased by two. New Mexico has been more successful in training, attracting and retaining so-called "mid-level practitioners": physician assistants have increased by 157 and certified nurse practitioners by 453 over that same period.

The coronavirus pandemic has severely stressed those health care providers who have stayed on the job and those who have had to leave their jobs due to their jobs' stress and/or family needs, let alone from disease itself. According to Mental Health America (https://mhanational.org/mental-health-healthcare-workers-covid-19):

While many throughout the U.S. are coping with the fear and uncertainty of Covid-19 from their homes, essential workers, including healthcare workers, must expose themselves to the virus every day. Healthcare workers are also experiencing conditions that have been compared to a war zone, continuously witnessing the direct effects of the pandemic as it spreads throughout communities. It is essential that we provide resources to help healthcare workers cope with the mental health impact of their work.

From June-September 2020, MHA hosted a survey on mhascreening.org to listen to the experiences of healthcare workers during COVID-19 and to create better resources to help support their mental health as they continue to provide care.

The responses collected from the 1,119 healthcare workers surveyed indicated that they are:

- Stressed out and stretched too thin: 93 percent of health care workers were experiencing stress, 86 percent reported experiencing anxiety, 77 percent reported frustration, 76 percent reported exhaustion and burnout, and 75 percent said they were overwhelmed.
- Worried about exposing loved ones: 76 percent of healthcare workers with children reported that they were worried about exposing their child to COVID-19, nearly half were worried about exposing their spouse or partner, and 47 percent were worried that they would expose their older adult family member(s).
- Emotionally and physically exhausted: Emotional exhaustion was the most common answer for changes in how healthcare workers were feeling over the previous three months (82 percent), followed by trouble with sleep (70 percent), physical exhaustion (68 percent) and work-related dread (63 percent). Over half selected changes in appetite (57 percent), physical symptoms like headache or stomachache (56 percent), questioning career path (55 percent), compassion fatigue (52 percent) and heightened awareness or attention to being exposed (52 percent). Nurses reported having a higher exposure to COVID-19 (41 percent) and they were more likely to feel too tired (67 percent) compared to other healthcare workers (63 percent).
- Not getting enough emotional support: 39 percent of healthcare workers said that they did not feel like they had adequate emotional support. Nurses were even less likely to have emotional support (45 percent).
- Struggling with parenting: Among people with children, half reported they are lacking quality time or are unable to support their children or be a present parent.

Although additional availability of cash for these health care workers is not the only needed solution to these problems, they would undoubtedly be helpful.

TRD notes that expansion of the rural health care practitioner tax credit erodes the principle of horizontal equity in taxation, in that practitioners with similar income will pay different taxes, based on their location.

CONFLICT with HB17, which also amends the same section of statute, Section 7-7-18.22 NMSA 1978, but with a different group of tax credit recipients to be added to the allopathic and osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists currently eligible to receive a $5,000 annual tax credit, and the dental hygienists, physician assistants, certified nurse anesthetists, certified nurse practitioners and nurse specialists currently eligible to

receive a $3,000 annual tax credit.

OSI notes that "Some provisions of HB17 and HB38 are duplicative and other provisions conflict. HB17 and HB38 are definitely related and could be combined."

TECHNICAL ISSUES

Are certified nurse widwives included among the licensed midwives included as beneficiaries of this bill? If so, the bill's language should include certified nurse midwives "licensed by the Board of Nursing."

TRD recommends that this, like other expansions of tax credits, be provided with a sunset date or cap.

POSSIBLE QUESTIONS

1. Should the credit be applied to practitioners in both rural and *frontier* counties?
2. Are only rural helpers of rural care givers entitled to a tax credit in this bill?
3. If aid has been given during the pandemic in a non-hospital environment, such as an extended care facility or nursing home, are those givers of aid also eligible for the tax credit?
4. For how long will the tax credit be available to each group, especially those essential health workers who have provided help during the pandemic?

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