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

SPONSOR Montoya, RE **ORIGINAL DATE** 2/4/22 **LAST UPDATED** **HM** 36

SHORT TITLE Hospital Charges for Uninsured **SB**

ANALYST Chilton

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
State Funds		$50.0		$50.0	Nonrecurring	General Fund
Federal Funds		$50.0		$50.0	Nonrecurring	Federal Funds
Total		$100.0		$100.0		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Memorial

Senate Memorial 36 takes note of high hospital bills reaching patients, especially uninsured patients despite payments to hospitals' uncompensated care funds and suggests that these situations be studied in the following ways:

1) Legislative (Interim) Health and Human Services Committee (LHHSC) is requested to hold a hearing, with HSD to report to it on each non-federal acute or critical access hospital's
    a. State and federal funding for uninsured and low-income patients, and
    b. Percentage of each hospital's bad debt that might be obviated by qualifying patients for that hospital's financial assistance policies.
2) That HSD be asked to collect the data referred to above
3) That testimony before LHHSC be sought from the Department of Health, the HSD, health care providers, hospital representatives, consumer advocacy group, and others.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature, with the first hearing before the LHHSC to occur by August 1, 2022.

FISCAL IMPLICATIONS

There is no appropriation in House Memorial 36.

HSD states that it "will be required to expand the contract of the external audit agent to collect all information beyond the Medicaid program from each non-federal acute care or critical access hospital in New Mexico. The approximate increase of these contracted services would be $100 thousand, which equates to $50 thousand state general fund and $50 thousand Federal Medicaid Matching Funds."

SIGNIFICANT ISSUES

As stated in the preambles to House Memorial 36,

- All persons need access to health care, as demonstrated by the Covid-19 pandemic.
- 214 thousand New Mexicans lack health care insurance.
- One fourth of New Mexicans have medical debt, and that those in medical debt are more likely to postpone medical care, which may lead to need for more expensive medical care later.
- New Mexico hospitals receive tax benefits.
- New Mexico hospitals receive state and federal funding, some of it based on the poverty of each hospital's patient population.
- New Mexico state government and county governments receive large disbursements in uncompensated care and disproportionate care funding.
- New Mexico hospitals subject many patients to aggressive debt collection each year.
- According to federal IRS data, over 35 percent of New Mexico non-profit hospital debt is owed by persons of low income who might qualify for financial assistance.
- The Patients' Debt Protection Act [Section 57-32-1 NMSA] requires that hospitals report to HSD the proportion of bad debt that is owed by people who would qualify for financial assistance and how the county indigent funds and other county funding is used.

According to a 2007 article in Health Affairs (https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.26.3.780), "In 2004, the rates charged to many uninsured and other "self-pay" patients for hospital services were often 2.5 times what most health insurers actually paid and more than three times the hospital's Medicare-allowable costs. The gaps between rates charged to self-pay patients and those charged to other payers are much wider than they were in the mid-1980s, and they make it increasingly more difficult for some patients, especially the uninsured, to pay their hospital bills. This has triggered lawsuits and some recent government efforts involving price transparency. Three specific policy options that could lower the markups are a voluntary effort by hospitals, litigation, and legislation."

A more recent study, published in The Journal of the American Medical Association in 2021 (https://jamanetwork.com/journals/jama/article-abstract/2782187), researchers at Stanford, Harvard and UCLA looked at credit reports for ten percent of American individuals and found that 17.8 percent of Americans has medical debt in collections.

In the article's introductions, the authors point to evidence showing the severe effects of medical debt:

> Medical debt is associated with reduced health care use.[6] Personal debt, broadly defined, is associated with worse mental health and a deterioration of personal finances. Despite widespread concern, there is only limited evidence on recent trends in medical debt, its distribution across individuals, and how health policy has affected the distribution of medical debt.

Among the article's conclusions, the authors stated that "During the last decade, medical debt has become the largest source of debt in collections. The reductions in nonmedical debt in collections between 2009 and 2020 occurred simultaneously with the economic recovery from the Great Recession, consistent with the well-documented association between unemployment and loan delinquency.[14] In contrast, total medical debt in collections decreased by a more modest amount. As a result, as of June 2020 individuals had $39 more in mean medical debt in collections than they had in mean debt in collections from all other sources combined ($429 vs $390), including credit cards, utilities, and phone bills."

HSD reports on its ability to provide the data requested by House Memorial 36: "Upon enactment of HM036, HSD will be able to report on state and federal funding related to the Medicaid program and Medicaid cost reporting and will work with the external audit agent to collect all information beyond the Medicaid program from each non-federal acute care or critical access hospital in New Mexico. The ability of each non-federal acute care or critical access hospital (not including those that already report to Medicaid) to report the data necessary would impact the HSD's ability to provide complete and accurate data to LHHS by July 1, 2022."

LC/al