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FISCAL IMPACT REPORT

SPONSOR <u>SFC</u>	LAST UPDATED _____ ORIGINAL DATE <u>3/1/23</u>
SHORT TITLE <u>Rural Health Care Delivery Fund</u>	BILL NUMBER <u>CS/Senate Bill 7/aSHPAC/SFCS</u>
ANALYST <u>Esquibel</u>	

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	*See Fiscal Implications	Recurring	Rural Healthcare Delivery Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	*See Fiscal Implications	*See Fiscal Implications	Recurring	Rural Healthcare Delivery Fund

Parentheses () indicate revenue increases.
 *Amounts reflect most recent version of this legislation.
***The bill creates the rural healthcare delivery fund and provides for continuing appropriations from the nonreverting fund.**

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HSD admin costs		\$350.0	\$350.0	\$700.0	Recurring	Rural Health Care Delivery Fund
Medicaid admin match		\$350.0	\$350.0	\$700.0	Recurring	Federal Medicaid matching funds
HSD IT costs		\$2,898.7	\$2,898.7	\$5,797.4	Nonrecurring	Rural Health Care Delivery Fund or General Fund
Total		\$3,598.7	\$3,598.7	\$7,197.4	Recurring, nonrecurring	Rural Health Care Delivery Fund, General Fund, Federal Funds

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

Relates to House Bill 47, Rural Health Care Project Revolving Fund.

Sources of Information

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)

Office of Superintendent of Insurance (OSI)

State Ethics Commission

Human Services Department (HSD)

SUMMARY

Synopsis of SFC Substitute to Senate Bill 7

The Senate Finance Committee substitute for Senate Bill 7 as amended by the Senate Health and Public Affairs Committee makes the following changes to the bill:

- It requires the rural health providers who apply to the Human Services Department to be enrolled Medicaid providers;
- Definitions of Medicaid, Medicaid providers, and Medicaid recipients were added;
- It requires the Human Services Department to assess the long-term sustainability of proposed projects; and
- It removes the \$200 million appropriation.

Senate Bill 7 (SB7) would create a rural healthcare delivery fund administered by the Human Services Department. Private for-profit, private nonprofit, and public rural healthcare providers and facilities located in a county with a population of fewer than 100 thousand people could apply to receive grants from the fund to construct facilities or defray their operating costs associated with offering new or expanded healthcare services. Each grant covers a one year period, and applicants may receive grants only for the first five years of offering an expanded service or operating a new facility. Applicants must meet various qualifications including those set by the Human Services Department's regulations.

The bill broadens the eligibility for receiving grants from the rural health care delivery fund to include providers in addition to facilities, start-up costs, dental services, medical or behavioral health ground transportation, and programmatic services.

The Human Services Department would use claims data to verify costs; reconcile grant award amounts to audited operating losses after the close of the grant period; allow reasonable direct expenses, but not including general overhead and management fees paid to a parent corporation; and prioritize grant awards to consider the health needs of the state and the locality.

Under the provisions of the bill, HSD would:

- Use up to \$350 thousand annually to administer the fund; and
- Award grants to cover operating losses for newly constructed or newly expanded facilities.

The terms of any issued grant are as follows:

- All state licensing requirements for providers and facilities are met;

- Funds can be issued for between one and five years;
- Funds may be used to cover operating losses;
- Grantee must provide adequate and verified cost data, as determined by HSD regulations; and
- Providers commit to operate for an equal number of years as the grants are awarded.

FISCAL IMPLICATIONS

The General Appropriation Act, HB2, as passed out of the House, includes a \$20 million special appropriation to support the provisions of the bill.

SB7 would create the rural health care delivery fund. Any unexpended or unencumbered balances would not revert to the general fund. This bill would create a new fund and provide for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because earmarking reduces the ability of the Legislature to establish spending priorities.

Under the provisions of the bill, the Human Services Department (HSD) could use up to \$350 thousand to administer the fund. HSD notes it would be able to use federal Medicaid matching funds for administration of the fund at a 50 percent federal matching rate, equating to \$350 thousand each year.

HSD notes SB7 does not specify how applications for grants from the rural health care delivery fund are to be received. If HSD is tasked with hosting the applications via an online portal, then there will be additional IT costs. HSD has estimated the impact of changes to its IT systems including personnel and contracts costs to be \$2.9 million.

SIGNIFICANT ISSUES

HSD reports it would require additional positions to oversee and manage the proposed rural healthcare delivery fund grant program to ensure proper reporting and compliance. In addition, HSD would also require consulting contractual services to conduct the analyses and audit financial statements at the end of each year, as well as review claims data to ensure the services were delivered.

ADMINISTRATIVE IMPLICATIONS

HSD indicates SB7 does not specify what fiscal monitoring and reporting functions will need to be done to comply with this program and what other state rules and regulations will need to be completed.

TECHNICAL ISSUES

The New Mexico Finance Authority noted, unlike other healthcare funds it administers, the proposed rural healthcare project revolving fund may lend to both private nonprofit and private for-profit rural healthcare providers for planning, development, and operations. These provisions could conflict with the constitution's anti-donation clause. The provisions of SB7 raises similar issues.

However, the State Ethics Commission notes SB7 is likely consistent with the limits the anti-donation clause imposes on transfers by the state for public funds disbursed to private individuals and entities.

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