FISCAL IMPACT REPORT

SPONSOR SFC **LAST UPDATED** 2/14/24
ORIGINAL DATE 1/24/24
BILL NUMBER CS/Senate Bill 161/SFCS/aHHHC/aHAFC
SHORT TITLE Acute Care Facilities Subsidies
ANALYST Chenier

APPROPRIATION*
(dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		Up to $106.0	Up to $106.0	$212.0	Recurring	General Fund

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

HB2 includes an appropriation for the purpose of this bill.

Sources of Information

LFC Files

Agency Analysis Received From
Health Care Authority (HCA)
Department of Health (DOH)

SUMMARY

Synopsis of HAFC Amendment to Senate Bill 161

The House Appropriations and Finance Committee amendment to the Senate Finance Committee Substitute for Senate Bill 161 strikes the appropriation.

Synopsis of HHHC Amendment to Senate Bill 161

The House Health and Human Services Committee amendment to the Senate Finance Committee

Substitute for Senate Bill 161 changes the eligible purposes for which a hospital can apply for and use grant subsidies to providing care for sick and indigent persons for emergency medical services, inpatient services related to maternal, child, and family health, or inpatient unit care. The amendment specifies that health care facilities shall only use the grant subsidies for the above purposes and report annually demonstrating the facility's uses. The amendment also strikes $5 million allocated to Alta Vista Hospital.

Synopsis of SFC Committee Substitute for Senate Bill 161

The bill creates a grant subsidy program for 12 hospitals listed in the bill for revenue losses due to providing services that may not be fully reimbursed such as emergency medical services, maternal and child health, and in-patient unit care. Other losses would also be included such as malpractice premiums, Medicare sequestration, and property insurance.

To receive the subsidy, a facility with less than 100 days cash on hand is required to provide a plan to get 100 days cash on hand within five years and quarterly updates on progress toward completing the plan. Health care facilities with more than 100 days cash on hand are required to provide a plan for maintaining more than 100 days cash on hand without cutting services and quarterly updates. Facilities that fail to provide quarterly updates shall not receive additional subsidies.

Maximum grant amounts are enumerated for the following hospitals:

Hospital Name	County	Licensed Beds	Maximum Subsidy (thousands)
Artesia General Hospital	Eddy	34	$3,200.0
Cibola General	Cibola	25	$4,534.0
Holy Cross Hospital	Taos	29	$5,700.0
Miners Colfax Medical Center	Colfax	25	$2,500.0
Roosevelt General	Roosevelt	30	$5,700.0
Rehoboth McKinley Christian Hospital	McKinley	25	$5,700.0
Sierra Vista	Sierra	25	$2,700.0
Union County General Hospital	Union	25	$5,700.0
~~Alta Vista Regional~~	~~San Miguel~~	~~35~~	~~$5,000.0~~
Guadalupe County Hospital	Guadalupe	0	$1,700.0
Gila Regional	Grant	68	$5,700.0
Nor-Lea	Lea	25	$1,866.0
Total			**~~$50,000.0~~**

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

The bill contains a delayed repeal provision for July 1, 2026.

This is LFC sponsored legislation.

FISCAL IMPLICATIONS

The allocations listed in the original substitute added up to $50 million. With Alta Vista Hospital's allocation struck total allocations add up to $45 million. It is unclear what the remaining $5 million appropriation contained in House Bill 2 would be used for.

This bill will require 1 FTE additional staff for administration.

SIGNIFICANT ISSUES

Medicaid recently started allowing states to raise reimbursement rates to the average commercial rate which is much higher than current reimbursement rates. This change will likely start helping the facilities targeted by this legislation.

HCA said that these facilities provide access to healthcare in remote rural areas of the state where there is limited access to healthcare. The viability of these facilities is dependent on several variables including patient census, and minimum staffing requirements, which can impact operational sustainability. Closure of these facilities would limit access to care and create longer transportation times to access care delaying treatment one to two hours.

DOH provided the following:

> Rural hospitals are major economic drivers, supporting one in every 12 rural jobs in the U.S. and contributing $220 billion in economic activity in their communities in 2020. *(American Hospital Association: Hospital Closures Threaten Patient Access to Care as Hospitals Face a Range of Rising Pressures:* https://www.aha.org/press-releases/2022-09-08-new-aha-report-finds-rural-hospital-closures-threaten-patient-access-care). A variety of factors have contributed to closures, such as financial pressures, challenging patient demographics and workforce shortages. Communities served by critical access hospitals (CAHs) and other rural hospitals tend to have older, sicker, and poorer populations with access to fewer health care professionals. Rural hospitals make up about 35 percent of all hospitals in the U.S. Nearly half of rural hospitals have 25 or fewer beds, with just 16 percent having more than 100 beds.
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> As a result of patient demographics, reimbursement models, market characteristics, and available services, rural hospitals are closing, and rural communities are losing services in higher proportion than urban communities. Effects of rural hospital closures and reduction of services reduce access to local available healthcare. Rural hospital closures result in a rise in emergency medical services costs, increased time and cost of transportation to healthcare services for patients, heightened transportation issues and barriers to care for vulnerable groups, and loss of jobs for hospital. (American Hospital Association: Rural Hospital Closures Threaten Access: rural-hospital-closures-threaten-access-report.pdf (aha.org), pages 5-7)

EC/rl/ne/al/cf/ne