

LFC Requester:

Kelly Klundt

AGENCY BILL ANALYSIS
2025 SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original ___ Amendment ___
Correction ___ Substitute ___ x

Date Prepared: 02/10/2025

Bill No: SB 14

Sponsor: Senator Katy M. Duhigg

Agency Name and Code

Office of the Superintendent of Insurance - 440

Short Title: Health Care Consolidation and Transparency Act

Person Writing

Analysis:

Viara Ianakieva

Phone: 505-508-9073

Email: Viara.ianakieva@osi.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Table with 4 columns: Appropriation (FY25, FY26), Recurring or Nonrecurring, Fund Affected. Values are N/A.

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Table with 5 columns: Estimated Revenue (FY25, FY26, FY27), Recurring or Nonrecurring, Fund Affected. Values are N/A.

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

Table with 7 columns: FY25, FY26, FY27, 3 Year Total Cost, Recurring or Nonrecurring, Fund Affected. Values are N/A.

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: None
Duplicates/Relates to Appropriation in the General Appropriation Act: None

SECTION III: NARRATIVE

BILL SUMMARY

The Committee Substitute for Senate Bill 14 (SB14cs) establishes an oversight process for the review of proposed transactions between two or more parties, a proposed acquisition of a health care provider organizations by a hospital or person that is owned by or affiliated with a hospital, and the proposed acquisition of one or more health care provider organizations located in whole or in part in this state, or the employment of a health care provider by a health insurance or a person owned or affiliated with a health insurer, that results in change of control of 15% or more of the hospital involved in the transaction.

A change in control of a hospital occurs where a hospital or its affiliate acquires a health care provider organization or when an insurer or its affiliate acquires an independent practice. Control is presumed when there is a change in 15% or more of the power to vote. Presumption of control can be rebutted with specific findings of fact.

Section 3 of the Committee Substitute for SB14 describes the transactions are subject to the Act and lists the exemptions from application of the Act. SB14cs specifically does not apply to certain collaborations on clinical trials, education and research programs, change of control when new members are elected to or appointed to the governing body of a public hospital, non-consecutive agreements between a health care staffing company and a hospital to provide health care providers for up to twelve months. SB14cs also does not apply to federally qualified health centers or health care providers that meet the requirements of the federal health resources and services administration's health center program but do not receive program funding.

Section 4 sets forth the requirements for entities covered by the Act to provide a notice of the proposed transaction. Upon receiving notice, the Office of Superintendent of Insurance is required to schedule a pre-notice conference within fifteen days of the receiving the notice. Additional timelines for review and final determinations are set forth in Section 4 and the contents of the required notice.

Section 4 allows for a waiver of the requirements of a preliminary or comprehensive review of the transaction in emergency situations.

Section 5 sets forth the relevant time periods for the review by the Office of Superintendent of Insurance which can be extended to allow the Superintendent to request additional information which tolls the described time period. to all, if necessary. It requires the Office to complete a preliminary review within sixty days. If the Office determines that a comprehensive review is necessary, the comprehensive review must be completed within ninety days. If the Office establishes that there is a potential for disapproval of the transaction, the Office will conduct an administrative hearing within one hundred and eighty days, and issue a final order after the administrative hearing shall be issued within thirty days from the date of the hearing.

Section 6 establishes the procedures for preliminary review and Section 7 establishes the procedures for a comprehensive review by the Office of Superintendent of Insurance. If a comprehensive review is conducted, the Office of Superintendent of Insurance must confer with the Health Care Authority and the Attorney General and complete the review within ninety days.

Section 8 requires the Office of Superintendent of Insurance to, within ten days of receipt of a complete notice of proposed transaction, post the notice on the Office website. In addition, the Office of Superintendent of Insurance must provide the statement to newspapers of general circulation, all municipal and county officials, Indian nations, tribes and pueblos, military installation commands, state legislators and the state's congressional delegation, any labor organizations that represent employees of the impacted hospital or health care provider organization and county health councils in the area affected by the transaction or acquisition. If a comprehensive review is conducted, then then the Office of Superintendent of Insurance is required to have at least one public forum to consider public comments.

Section 9 outlines the post transaction oversight that must be conducted by the Office of Superintendent of Insurance, including audits and monitoring of for compliance if conditions were established for approval. Parties or the hospital that were subject to the approved transaction must submit one, two and five-year reports to the Office of Superintendent of Insurance, the Attorney General and the Health Care Authority.

Section 10 requires hospitals to adopt, promulgate and enforce a whistleblower protection policy and Section 11 sets out the procedures the Office of Superintendent of Insurance must follow to assess civil penalties for violations of the Act.

Section 12 subjects healthcare entities to annual reporting. The Office of Superintendent of Insurance is required to provide a public summary and analysis of the ownership trends for health care entities in New Mexico.

The effective date of the Committee Substitute for SB14 is July 1, 2025.

FISCAL IMPLICATIONS

SB 14 does not contain any appropriation. However, the Office requested a \$1.5 million non-recurring appropriation as part of its FY26 operating budget. To limit the Fiscal Impact, Section 6 of SB14csc authorizes the Office of Superintendent of Insurance to retain qualified professionals to assist in the review of the proposed transaction with parties to the transaction responsible for those expenses.

SIGNIFICANT ISSUES

SB14 expands the types of transactions subject to SB 15, passed during the 2024 Regular Legislative Session, which sunsets June 30, 2025. Prior to SB 15, New Mexico was one of only 11 states that had no oversight of transactions involving healthcare entities. SB 14 provides for a comprehensive review process. Several other states have adopted similar legislation in response to the trends described.

Private equity and large corporations are playing a rapidly growing role in our health care system. "Medicare beneficiaries admitted to private equity hospitals experienced a 25.4% increase in hospital-acquired conditions compared with those treated at control hospitals"

Source: [JAMA: Changes in Hospital Adverse Events and Patient Outcomes Associated With Private Equity Acquisition.](#)

New Mexico has the highest proportion of private equity-backed hospitals compared to all private non-government hospitals at 38%. See [PESP Private Equity Hospital Tracker](#). Only a handful of private equity firms continue to dominate the list of PE-owned hospitals. By far the largest private equity owner and operator of hospitals is Apollo Global Management. PESP tracked at least 224 hospitals through Apollo's two health systems Lifepoint Health and ScionHealth. According to the Private Equity stakeholder Tracker [PESP Private Equity Hospital Tracker](#), Apollo's Global Management PE firm was involved in the acquisition of Memorial Medical Center in Las Cruces and Los Alamos Medical Center in NM in 2018 and the acquisition of Kindred Hospital ABQ in 2021.

A [study](#) found that “merged hospitals were more likely than independent hospitals to eliminate maternal/neonatal and surgical care” in rural areas. A 2019 [study](#) found that “following health system affiliation, rural hospitals experienced a significant reduction in on-site diagnostic imaging technologies, the availability of obstetric and primary care services, and outpatient nonemergency visits, as well as a significant increase in operating margins... While joining health systems may improve rural hospitals' financial performance, affiliation may reduce access to services for patients in rural areas.” Quality of care could also be impacted by these types of transactions. Evidence of the reduced quality of care and decreased access to some of the essential healthcare services described above, came to light during Healthcare Consolidation Oversight stakeholder and public meetings held by OSI in 2024.

Public input at the Healthcare Consolidation Oversight meetings held in Las Cruces, Las Vegas and Taos, NM, supported researcher findings that often essential services are eliminated, quality is reduced, and community and provider needs are not supported post-transaction. Rural hospitals expressed challenges with financial pressures, recruiting and retaining health care providers. Stakeholder engagements also allowed providers to voice their dissatisfaction and frustration over mistreatment and increasing pressures and concerns with transparency. Community members and consumer advocates echoed these concerns as a result of past transactions that lacked transparency, oversight and accountability, particularly as Memorial Medical Center in Las Cruces, and other healthcare entities were sold or acquired by larger organizations reduced essential services like maternity and cancer care. Lack of access to essential services at Memorial Medical Center was also due to the fact that the hospital did not contract with all carriers offering plans on the Health Insurance Exchange in New Mexico, beWell.

Issues like provider turnover, lack of specialty treatments, and deserts in OB, pediatrics, and cancer care are exacerbating healthcare gaps. The need for more comprehensive care beyond primary care, such as behavioral and dental health, and better access to specialty treatments, especially for underserved communities and non-English speaking populations is critical. Transparency and competition in health care, as well as the availability, accessibility, quality and affordability of healthcare services remain essential. Therefore, it is crucial to oversee transactions in the healthcare sector in order to avoid the negative impacts these transactions may have on availability, accessibility, quality and cost of health care services for all New Mexicans.

SB14 implements a process for community notice and input and including strong confidentiality provisions to keep transactional materials proprietary. The tiered review process aims to review all proposed transactions in a timely manner without stalling the process and creating unnecessary administrative burdens on the parties involved the proposed transactions. SB14cs

provides short preliminary review timelines and allows transactions to move forward if a comprehensive review is not needed. SB14cs also provides shorter comprehensive review timelines and the ability to hire industry experts to assist with proposed transaction reviews. SB14cs allows for input from the public, New Mexico Health Care Authority and Attorney General prior to making a final decision on a proposed transaction. In addition to confidentiality provisions and shorter timeframes, provider and consumer protections include civil penalties and a whistleblower protection. Annual disclosure and post-transaction oversight will ensure continuous compliance monitoring.

PERFORMANCE IMPLICATIONS

Insurance regulators have played a significant role in the oversight of health insurance mergers and acquisitions for decades having developed a set of tools to determine whether insurance related transactions that contribute to consolidation and anticompetitive markets are not in the consumers' best interest.

Historically, the Office of Superintendent of Insurance has been involved in reviewing proposed transactions involving change in control of a state health care entity and has implemented a number of complex health care and company-related initiatives that demonstrate the agency's capacity for such oversight, including the Insurance Company Holding Act, Surprise Billing Protection Act, oversight of Pharmacy Benefit Managers, a number of laws limiting cost sharing for consumers, the Affordable Care Act in New Mexico, the development consumer-focused Standardized Health Plans, and programs under the Health Care Affordability Fund. Many hospitals are also subject to value-based care initiatives that involve the direct bearing of financial risk.

Since the passage of SB15 in 2024, OSI was notified of two transactions, only one of them was subject to review pursuant to SB15. OSI successfully approved this transaction in a timely manner following the guardrails specified in SB15.

ADMINISTRATIVE IMPLICATIONS

SB14cs authorizes the Office of Superintendent of Insurance to retain the services of qualified professionals to assist the office in reviewing a proposed transaction. The Office of Superintendent of Insurance has a team of dedicated professionals who are qualified and capable of overseeing the contractors. Implementation of SB14cs may require rulemaking or development of guidance, or both.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 15, codified as NMSA 1978, Sections 59A-63-1 to 59A-63-8, which provides that all sections of the Act are subject to sunset except Section 59A-63-8, which relates to Post Transaction Oversight.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

The Office of Superintendent of Insurance has worked with stakeholders over the past year to understand the impact of transactions involving health care entities on New Mexicans and to improve the breath of the bill to ensure that the availability, accessibility, affordability and quality of services provided to New Mexico residents is not compromised. The Office of Superintendent of Insurance has carefully crafted the bill to ensure that oversight of these transactions does not discourage investment and innovation or transactions that could otherwise increase access to high quality health care in New Mexico. Additionally, SB14 adopts enforcement mechanism, encompasses post-transaction monitoring and addresses provider concerns by offering whistleblower protections.

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico will not have the regulatory framework to review hospital mergers, acquisitions and change of control leaving New Mexico vulnerable and exposed to behaviors that hinder access, and affordable and reliable quality health care in NM.

AMENDMENTS

None