

LFC Requestor: GRAY, Brendon

2025 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: Senate

Category: Bill

Number: 424

Type: Introduced

Date (of THIS analysis): 02/18/2025

Sponsor(s): Pat Woods

Short Title: Expand Rural Health Care Tax Credit

Reviewing Agency: Agency 665 - Department of Health

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 25	FY 26		
\$0	\$0	N/A	N/A

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 25	FY 26	FY 27		
\$0	\$0	\$0	N/A	N/A

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 25	FY 26	FY 27	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
Total	\$0	\$99.953	\$99.953	\$199.906	Recurring	General

The proposed legislation does not include any appropriation for the DOH administrative support for the Rural Practitioner Tax Credit, a Full-Time Equivalent (FTE) position would be necessary. Pay Band 65 - \$29.99/hr. x 2080 hours x 0.4395 = \$89,803 + Office Setup \$6,150 + Rent \$4,000 = \$99,953 (2080 hours are the standard full-time hours per year).

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: House Bill 52 (HB52)

Companion to: None

Relates to: None

Duplicates/Relates to an Appropriation in the General Appropriation Act: None

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

Senate Bill 424 (SB424) proposes to modify Section 7-2-18.22 NMSA 1978 Rural Health Care Practitioner Tax Credit to include licensed Respiratory Care Practitioners and Polysomnographic Technologist to qualify for a tax credit amount of three thousand dollars (\$3,000).

- A respiratory care practitioner is licensed pursuant to the Respiratory Care Act.
- A polysomnographic technologist is licensed pursuant to the Polysomnography Practice Act.

The provisions of this act would apply to taxable years beginning on or after January 1, 2025.

Is this an amendment or substitution? Yes No

Is there an emergency clause? Yes No

b) Significant Issues

New Mexico has a significant shortage of all health care professionals. The New Mexico Healthcare Workforce Committee 2024 Annual Report documents the shortage of various health care providers in New Mexico and offers recommendations for recruitment, retention, and increasing the health care workforce.

https://digitalrepository.unm.edu/cgi/viewcontent.cgi?article=1012&context=nmhc_workforce. However, the limitation in this report is that it shows all those who are licensed. This data does not provide those currently practicing medicine. Many licensed professionals no longer practice, as they have retired or moved to non-clinical positions but maintain their licenses.

There are health, social, and environmental benefits gained by health care professionals serving residents in their home communities versus those residents incurring travel costs, time commitment, and other burdens to travel long distances, or not receiving care at all.

New Mexico is a largely rural state. Of New Mexico's 33 counties, seven contain predominantly urban areas defined as part of Metropolitan Statistical Areas (New Mexico Rural Health Plan, June 2019:

<https://www.nmhealth.org/publication/view/report/5676/>).

The remaining 26 non-Metropolitan counties are considered rural or frontier in nature. It should be noted that there are locations within Metropolitan Statistical Areas counties that are largely rural or frontier. The large geographic size of New Mexico counties creates this situation (New Mexico Rural Health Plan, June 2019).

Under current healthcare reimbursement systems, communities with a large proportion of low-income residents and rural communities may not generate sufficient paying demand to assure that providers will practice in these locations (2020-2022 New Mexico State Health Improvement Plan: <https://www.nmhealth.org/publication/view/plan/5311>). The rural to urban migration of health professionals inevitably leaves low income, rural, and remote areas underserved and disadvantaged. Skilled health professionals are increasingly taking job opportunities in the labor market in high-income areas as the demand for their expertise rises.

While rural communities experience a low number of primary care providers, there is an even larger demand for medical care specialists like respiratory practitioners and polysomnographic technicians. (<https://sourcennm.com/2024/06/17/lack-of-both-healthcare-workers-and-infrastructure-hurting-new-mexicans-access-to-medical-care/>)

Since the demands for health care services and providers continues to increase, providing incentives to health care providers who work in rural and underserved areas may help stabilize and improve health care services (2020-2022 New Mexico State Health Improvement Plan). The Rural Practitioner Tax Credit Program provides a retention incentive to many health care practitioners in rural health care underserved locations throughout New Mexico. It is a direct incentive for each health care practitioner and is available to salaried practitioners as well as those in proprietary practices. It is unique in this respect. In comparison, payment incentive programs such as the Medicare Physician Health Professional Shortage Area Bonus go to the billing entity and will not necessarily pass through to individual practitioners.

For tax year 2023, a total of 2,061 eligible health care practitioners received a Certificate of Eligibility from the Department of Health (DOH), a number that remains consistent with previous years. For the current 2024 tax year, 10 new health care practitioners have been deemed eligible. As of February 18, 2025, 3,079 health care practitioners have received a Certificate of Eligibility. This represents a significant increase compared to previous years, with the tax season still at its mid-point, highlighting the growing impact of this direct incentive. (Source: DOH Rural Practitioner Tax Credit Program Online Application System)

Since the demands for health care services and providers continues to increase, providing retention incentives, such as the Rural Practitioner Tax Credit Program, to health care practitioners who work and live in rural and medically underserved areas may help stabilize the health care workforce (page 12,

<https://www.nmhealth.org/publication/view/plan/5311/>). The proposed addition of Respiratory Care Practitioners and Polysomnographic Technologists in SB424 could encourage health care practitioners to live and stay in rural and medically underserved areas to provide needed health care services.

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?

Yes No

DOH does not receive any operational funds specifically designated for the administration of this Rural Practitioner Tax Credit Program. The proposed legislation does not include any appropriation for the operations and maintenance of DOH's Rural Practitioner Tax Credit Program Online Application System.

- Is this proposal related to the NMDOH Strategic Plan? Yes No

Goal 1: We expand equitable access to services for all New Mexicans

Goal 2: We ensure safety in New Mexico healthcare environments

Goal 3: We improve health status for all New Mexicans

Goal 4: We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?

Yes No N/A

- If there is an appropriation, is it included in the LFC Budget Request?

Yes No N/A

- Does this bill have a fiscal impact on NMDOH? Yes No

Currently, the DOH does not receive any operational funds specifically designated for administering this program. The proposed legislation does not include any appropriation for the administrative support needed for Rural Practitioner Tax Credit Program. One (1) FTE would be required to manage and review all current eligible practitioners and the proposed practitioners. Additionally, the proposed legislation does not include any appropriation for Rural Practitioner Tax Credit Program Online Application System particularly to update the health care professional field to accommodate the newly proposed practitioners. Additionally, no funding is allocated for the operations and maintenance of DOH's Rural Practitioner Tax Credit Program Online Application System.

4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH? Yes No

The DOH's Office of Primary Care and Rural Health (OPCRH) manages all aspects of the Rural Practitioner Tax Credit Program for a Certificate of Eligibility. It is responsible for the annual application process, including:

- application form design,
- application submission schedule,
- application review criteria,
- application evaluation procedures, and
- decision notification actions.

This bill will have an administrative impact on NMDOH. SB424 does not allocate any operational funds for the ongoing administration of the program. Currently, the program is run using staff time diverted from other federal and state programs. Without appropriate support for the Program administration, these existing resources will be further strained, potentially diverting staff time from their primary responsibilities and impacting the delivery of services in other federal and state programs.

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

SB424 relates to HB52, which proposes to make six (6) additional professions eligible for the Rural Health Care Practitioner Tax Credit. These professions include licensed practical nurses, emergency medical technicians, paramedics, speech-language pathologists, occupational therapists, and chiropractic physicians.

SB424 also relates to HB226 which would increase the rural health care tax credit, while SB424 would make more providers qualify for the tax credit.

6. TECHNICAL ISSUES

Are there technical issues with the bill? Yes No

7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written? Yes No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)? Yes No
- Does this bill conflict with federal grant requirements or associated regulations?
 Yes No
- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs? Yes No

8. DISPARITIES ISSUES

There are considerations for providing healthcare in rural communities throughout the country, but especially in the West, including aging populations, closure and/or downsizing of hospitals (<https://pubmed.ncbi.nlm.nih.gov/33011448/>), aging out of local health providers, (<https://pubmed.ncbi.nlm.nih.gov/36205415/>) loss of younger people, and changes in local economies away from extractive and agricultural economies.

Rural and frontier communities face additional challenges related to transportation and isolation from services frequently found in sub-urban and urban locations. Primary contributors which add to the unique challenges include:

1. Geographic isolation: Many rural areas in New Mexico are remote and sparsely populated, making it difficult for residents to access healthcare facilities. The distances between communities and medical centers can be substantial, resulting in limited access to timely and emergency care. (<https://pubmed.ncbi.nlm.nih.gov/37196993/>)
2. Socioeconomic factors: Rural communities in New Mexico often have higher rates of poverty, lower levels of education, and limited health insurance coverage. These socioeconomic factors contribute to poorer health outcomes and difficulties in accessing and affording healthcare services. (<https://pubmed.ncbi.nlm.nih.gov/21768583/>)
3. Health workforce shortages: Rural areas struggle with a shortage of healthcare professionals, including doctors, nurses, and specialists. Attracting and retaining healthcare providers in rural communities can be challenging due to factors such as limited career opportunities, lower reimbursement rates, and a lack of infrastructure. (<https://pubmed.ncbi.nlm.nih.gov/35760437/>) The labor force participation rate shows a more robust effect on healthcare spending, morbidity, and mortality than the unemployment rate. (<https://pubmed.ncbi.nlm.nih.gov/24652416/>)
4. Financial constraints: Rural communities have limited financial resources, making it challenging to invest in healthcare infrastructure, recruit healthcare professionals, and offer affordable healthcare services to residents.

9. HEALTH IMPACT(S)

SB424 could help to improve the health of populations in rural and underserved areas by providing an incentive that could increase the number of healthcare providers in those areas.

With an increase in respiratory therapists, we could see an improvement in the respiratory health of people living in rural communities

10. ALTERNATIVES

None.

11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If SB424 is not enacted, Section 7-2-18.22 NMSA 1978 Rural Health Care Practitioner Tax Credit would not be modified to include Respiratory Care Practitioners and Polysomnographic Technologists to receive a \$3,000 tax credit.

12. AMENDMENTS

None.