

LFC Requestor: FAUBION, Jennifer

**2025 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS**

Section I: General

Chamber: Senate
Number: 455

Category: Bill
Type: Introduced

Date (of THIS analysis): 02/20/2025

Sponsor(s): Craig W. Brandt

Short Title: HEALTH PRACTITIONER COINSURANCE GRT

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	\$0	\$0	\$0	N/A	N/A

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: House Bill 344 (HB344)

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

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

Senate Bill 455 (SB455) proposes to amend Section 7-9-93 NMSA 1978 (being Laws 2004, Chapter 116, Section 6, as amended), amending the gross receipts tax deduction for healthcare practitioners to include coinsurance paid by a patient. It also states that receipts of healthcare practitioners or an association of healthcare practitioners for commercial contracts services or Medicare part C services paid by a Manage Care Organization (MCO), or healthcare insurer, may be deducted from gross receipts if the services are within the scope of practice of the healthcare practitioner providing the service. Receipts from fee-for-service payments by a healthcare insurer may not be deducted from gross receipts.

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

Co-pays are the fixed amounts paid by the patient for a specific service. For example, a health plan might have a \$25 per visit patient co-pay per primary care visit. This is paid for all instances, both before and after the plan's annual deductible amount has been reached. It is also applied toward each patient's out-of-pocket maximum - once that limit is reached, no co-pays are required. Under many plans, co-pays do not apply to the deductible. Most plans have different co-pays for different services. For example, specialist outpatient visits normally have a higher co-pay than primary care visits. Co-pays are variable and service specific.

Co-insurance is a percentage of each health care bill to be paid by a patient after the deductible is reached. It is the cost-sharing of the bill between patient and insurance company.

Commercial plans have a mix of both co-pays and co-insurance. Often co-pays (fixed patient payments) are applied to basic outpatient services and co-insurance (patient percent of bill) are applied to inpatient services. There can even be a combination of co-pays and co-insurance - for example, a patient may be required, after deductible, to pay the first \$500 per hospital admission (co-pay) and 20% of the remaining hospital bill (co-insurance) for the balance.

SB455 excludes some revenues from medical device sales or insurance plan payments from Gross Receipt Tax. It does not exclude patient co-insurance payments for things like medical devices and supplies. Adding Gross Receipts Tax to a purchase will often be passed on to a consumer. Removing Gross Receipts Tax, however, may not result in any consumer benefit. Gross Receipts Tax exemptions assume that health care practitioners will pass on Gross Receipts Tax exemption savings to patients.

SB455 may have significant implications for hospitals, as non-exempt inpatient co-insurance represents significant revenue. Outpatient co-pay revenues are already exempt. Since co-insurance is part of the costs paid by patients, it is important it is included as part of the available gross receipts tax deduction for medical providers.

Receipts from providing health care services that are deductible under another provision of the Gross Receipts and Compensating Tax Act do not qualify for the medical services deduction provided by Section 7-9-93 NMSA 1978.

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?
 Yes No
- 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

4. ADMINISTRATIVE IMPLICATIONS

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

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

SB455 relates to HB344, which would provide tax deductions for certain services provided by healthcare practitioners, gross receipts tax deductions on the purchase of medical equipment, supplies, and drugs, and

full reimbursements for applicable gross receipts taxes that health care providers are required to pay for services provided to Medicaid patients.

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

Rural areas struggle with a shortage of healthcare professionals. There is also a dearth of facilities operating in these areas offering quality inpatient care. Attracting and retaining healthcare providers in rural communities can be challenging due to factors such as lower reimbursement rates and a lack of infrastructure. Consequently, programs to deal broadly with issues must first assess the abilities at each level – state, county and local – to overcome them. (<https://pubmed.ncbi.nlm.nih.gov/37214231/>).

SB455 could encourage health care facilities to do business in rural and underserved areas of the state if health care associations would be able to deduct services and taxes on equipment purchases and be reimbursed for all applicable gross receipts taxes for services provided to Medicaid patients.

9. HEALTH IMPACT(S)

There are many different payment methods currently or historically used by the U.S. healthcare system. The health impact of healthcare providers being fully reimbursed for gross receipts taxes is multifaceted. In the short term, it could provide significant financial relief, leading to better healthcare service access and improved provider stability. However, there is also the risk of resource misallocation if not carefully managed. For providers, this could reduce burnout and stress, but long-term sustainability and efficiency will remain critical for maximizing the benefit of such reimbursements.

For health care businesses operating in New Mexico, the health impacts of allowing them to deduct services and equipment purchases from their gross receipts taxes include the potential for improved access to care for rural and frontier areas. Equipment purchase deductions may be especially impactful for smaller hospitals in rural and frontier areas, since smaller entities may have diminished capacity for capital improvements, gross receipts deductions on equipment purchases may help improve infrastructure.

10. ALTERNATIVES

None.

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

If SB455 is not enacted, gross receipts tax deduction for health care practitioners, to include coinsurance paid by a patient, would not be allowed.

12. AMENDMENTS

None.