



## New Mexico Hospital Association

### 2009 Legislative Agenda

#### FINANCING

##### 2009 Proposed Fiscal Solvency Legislation

Background: The state is facing an estimated \$450 million budgetary shortfall this year and an undetermined but significant revenue decline in 2010. The Executive and the Legislative Finance Committee have been developing a “fiscal solvency” strategy that will be put into bills to be considered this upcoming session. Some of the proposals will include freezing previously enacted tax cuts which could include stopping the phased reduction of the gross receipts tax on for investor owned hospitals that NMHA successfully lobbied for in 2006. NMHA has already argued to the LFC staff that this item should not be included in a reduction package based on tax equity considerations and the fact that the revenue impact is marginal to the state.

Another component of the solvency package involves “take back” or reauthorization of appropriations for capital projects. Local governments, school and universities have been directed to provide the state with listings of all capital projects that are not yet under construction contract. The executive and the legislature will consider which of the projects should be put on hold or reconsidered at a later time. There are a few hospital related capital appropriations that may be considered for deferral; however, in most cases, public hospital projects should be excluded due to the fact that they are directly related to the general health, safety and welfare of the state and they are not subject to the constitutional prohibition on anti-donation because they fall under the “sick and indigent” exemption. This component of the solvency package will be very controversial and contentious due to the fact that legislators are fiercely protective of their capital projects and because it can be effectively argued that the projects create jobs and help economic development. NMHA will continue to argue for keeping all hospital related capital outlay projects intact. Members with pending capital projects that have a state funded component should be contacting local government officials and their local legislators to request hospital projects be kept whole.

Another component of the package may be program cuts. The Governor has asked agency heads to submit budget reduction proposals for consideration. According to the Governor’s office there should not be reductions in Medicaid or education; however, the Human Services Department has already begun initiating rule changes that will result in cuts to hospitals under the Medicaid program as noted above. The LFC has staff has indicated that they have no intentions at this point to cut Medicaid.

*NMHA Position: **Oppose** program cuts to Medicaid and specifically cuts to hospital reimbursement without consultation and consensus among stakeholders. Hospital capital outlay projects should remain intact unless individual hospitals in conjunction with the local government and legislators determine projects can be deferred or terminated.*

***Oppose** a suspension of the phase-in of the final increments of the gross receipts tax cuts on investor owned hospitals.*