



## SENATE FINANCE COMMITTEE

### **HB 1-A, "making appropriations for the expenses of certain departments of the state for fiscal years ending June 30, 2006, and June 30, 2007"**

**April 25, 2005**

#### **Testimony**

Good afternoon, Mr. Chairman and members of the Committee. My name is Leslie Melby, and I am the Vice President for State Government Relations of the New Hampshire Hospital Association, representing the state's 32 acute care and specialty hospitals.

On behalf of New Hampshire's hospitals, I urge you to restore the \$6 million reduction in payment (comprised of both General and Federal funds) for those costs used to support medical technology, plant and equipment.

Allow me to summarize what has happened to New Hampshire hospitals since the passage of the 2004 - 2005 budget. Payments have been systematically reduced through a series of actions taken by DHHS.

- In November 2003, payments were cut by \$4.2 million dollars through the elimination of capital passthrough payments.
- Last summer Medicaid payments to hospitals were cut by \$7.6 million through a negotiated settlement regarding unpaid claims for catastrophic care, principally for critically ill newborns and children.
- Last July DHHS implemented another multi-million dollar cut involving changes in the methodology for paying hospitals.
- The Governor's proposed budget reduced Medicaid payments to hospitals by \$6 million (state and federal dollars) by not continuing capital passthrough payments.

Why pay hospitals for capital costs? These are costs that hospitals incur to acquire medical technology and the buildings in which they operate. Briefly, to remove the cost of medically necessary diagnostic and treatment services involving sophisticated medical technology, eliminates a significant portion of the cost of care provided. Medicaid has never been generous in this particular line item. In fact, this line item has remained at the same level for at least a decade, during a time when the cost of technology has skyrocketed as new innovations have been put into practice thus making treatment more effective.

When you add it all up, since November 2003, the combination of actual cuts and proposed cuts in Medicaid totals **\$23.8 million** for hospitals. Such cuts undermine all hospitals, but small, rural hospitals are hurt the most because of the disproportionately high share of Medicaid patients, and disproportionately low share of privately insured patients in their patient mix.

We ask that you please hold the line on further hospital payment cuts.

Thank you for the opportunity to testify today.