



April 7, 2004

The Honorable Neal M. Kurk, Chairman
House Finance Committee
Legislative Office Building, Rooms 210-211
Concord, NH 03301
Hand Delivered

RE: SB 382-FN-Local, Relative to medical service rates for state prisoners.

Dear Representative Kurk:

I am writing to express New Hampshire Hospital Association's opposition to the amendment to SB 382-FN proposed by the Division III Subcommittee which would allow for medical parole of inmates.

The objective of this amendment is to save money by temporarily releasing inmates who require high cost medical care. The theory is that prisoners on medical parole would be eligible for Medicaid, so the federal government would cover half of the cost of their care. But in reality, most of the cost would simply be shifted to community hospitals and other providers.

Medicaid payment rates are continuing to decline while the actual cost of care continues to rise. Medicaid hospital payment rates were just reduced by another 5% overall with the elimination of capital passthrough payments. Now New Hampshire's hospitals must subsidize approximately 40% of the actual cost of caring for State sponsored patients.

By the very nature of the criteria outlined in the proposed amendment, the inmates released will require very high-cost care that will result in large claims, known in the Medicaid program as "catastrophic claims". As you know, catastrophic claims are part of a separate line item in the budget. Currently hospitals are awaiting payment of over \$10 million in catastrophic claims. However, the Medicaid budget only allows for approximately \$2 million in catastrophic claims to be paid on an annual basis. This has resulted in large claims under Medicaid not being paid by the State for five or more years, if they are paid at all. So the bottom line here is that for the most part, the State does not pay Medicaid catastrophic claims to hospitals.

We are in favor of SB 382-FN as passed by the Senate. We urge you and your colleagues to decline to support any proposed amendments that would provide for medical parole of inmates.

Respectfully yours,

Mike Hill
President

cc. Members of the House Finance Committee