



HOUSE FINANCE COMMITTEE

HB 1, making appropriations for the expenses of certain departments of the state for fiscal years ending June 30, 2010 and June 30, 2011.

HB 2, relative to state fees, funds, revenues and expenditures

TESTIMONY

March 17, 2009

Good afternoon, Madame 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 26 acute care hospitals and 6 specialty hospitals, as well as the patients they serve, and the more than 29,000 employees who work at our hospitals throughout the State.

Hospitals recognize the fiscal challenges the State faces, but we are disappointed that Governor Lynch's proposed budget includes further reductions in Medicaid payments to hospitals. The budget provisions of HB 1 and HB 2 just worsen the financial strain hospitals are already feeling from last November's Medicaid rate cuts of nearly \$30 million and the recently enacted HB 30 cuts of \$4 million for the remainder of SFY 2009. In addition to the elimination of Medicaid payment for graduate medical education which helps pay for the care provided to Medicaid patients by physicians pursuing their post-medical school training, HB 1 freezes current provider reimbursement rates, which means that the 2009 cuts will be carried forward into the next biennium. The cost of health care has never been adequately reimbursed by Medicaid. As a result of the November cuts and the enactment of HB 30, New Hampshire is now dead last in the nation in its Medicaid payment rates to hospitals.

Hospitals play a vital role in New Hampshire, not only for the health care they provide, but also for the economic contribution they make. More than 29,000 people work in hospitals in the state, and their paychecks and benefits totaled nearly \$1.8 billion in 2007. For every hospital job in New Hampshire, two additional jobs are created. In addition, every dollar spent by hospitals supports more than \$2 of additional business activity in their communities. But, hospitals are not immune to the effects of the economic downturn. Patients are putting off care and the cost of uncompensated care is rising. The rise in unemployment and the loss of job-based health insurance have impacted hospitals like never before. Financial stress is forcing hospitals to consider making cutbacks to meet their obligations, starting with hiring freezes, pay cuts and reduction of services.

Medicaid payment cuts negatively impact the contributions hospitals have on their communities' economic growth. Restoring payment rates to their pre-November level and avoiding new cuts is more important than ever in this declining economic climate.

Even before the November budget cuts, New Hampshire Medicaid rates for inpatient acute care and acute rehabilitation care had not been updated for fifteen years. In fact, the inpatient DRG rate today, accounting for the 10% inpatient rate reduction, is less today than it was in 1990 – nearly twenty years ago! HB 1 would maintain hospital payment rates at levels that are dramatically below the actual cost of serving Medicaid patients. For example, Medicaid pays hospitals \$1,000 for the delivery of a newborn. However, the cost to the hospital to deliver that baby is \$5,000. At one hospital in the southern part of the state where 25% of all births are Medicaid, the hospital loses \$1 million per year on Medicaid births alone!

Taken together, the continuation of the November 2008 cuts, the HB 30 cuts, and the elimination of graduate medical education payments will reduce Medicaid payments to hospitals by about \$37 million in SFY 2010 and \$41 million in SFY 2011.

These payment reductions will further weaken the already fragile foundation of the health care safety net.

Ironically, substantial relief has already arrived in the state with additional federal Medicaid matching funds, due to the passage of the American Recovery and Reinvestment Act. New Hampshire will receive a total of \$250 million in new federal Medicaid funds through FY 2010 ... in fact, the State of New Hampshire recently received its first installment of this additional Medicaid funding in the amount of \$31 million. This funding is intended to help alleviate the strains that the current economic situation has placed on state budgets due to expected spikes in enrollment of Medicaid beneficiaries and the associated increased demand for healthcare services. These funds must be used to shore up the health care safety net.

Prior to the current economic downturn, hospital data from 1999 to 2006 revealed a number of disturbing trends. A national health policy consulting firm (Spivey/Harris Health Policy Group) retained by the NH Hospital Association concluded that Medicaid reimbursement for services is seriously inadequate – both when compared to the cost of providing services as well as when compared to the level of Medicaid reimbursement in other states. At the time the Spivey/Harris report was completed in the Fall of 2008, hospitals in New Hampshire were paid just 61 cents for each dollar of cost incurred in treating Medicaid beneficiaries. Most disturbing is the fact that the percentage of Medicaid costs reimbursed has – except for one year – continuously declined during the entire 8-year period under review.

The State's continued under-funding of hospital services is creating significant challenges for hospitals and other providers as they try to serve everyone in their communities, not just Medicaid patients. The continued economic downturn has only exacerbated these challenges for hospitals as more people lose their jobs and with it their private health insurance, the number of people without coverage increases, and the number of people who are unable to pay their portion of their medical bills goes up. Hospitals are forced to shift those costs to those with private coverage ... and this cost shift adds millions to the cost of health care for New Hampshire's businesses.

New Hampshire's hospitals urge you to use the new federal Medicaid funds for the purpose Congress intended – to alleviate the strains the economy is placing on the health care sector. We specifically ask that you restore hospital rates to their pre-November levels and restore Direct Graduate Medical Education payments for the training of the next generation of doctors, many of whom will remain in New Hampshire where we desperately need them.

Thank you for the opportunity to present the concerns of New Hampshire's hospitals.