



SENATE FINANCE COMMITTEE

MARCH 18, 2010

SB 519

Relative to spending reductions for the department of health and human services

Testimony

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

I am here to testify in opposition specifically to Sections 3 and 5 of SB 519. We understand the significant budget challenges facing the State of New Hampshire, but further cuts such as these will only contribute to the underfunding of this program. When the budget was passed in June, we said that it did not adequately fund the demand for Medicaid services as a result of the economic downturn and more people qualifying for Medicaid, which in fact, has been the case. These cuts will not only impact the women, men and children served by the Medicaid program, but will impact hospitals and their ability to serve all patients.

Sections 3 and 5 amend the hospital line items of the Medicaid Provider Payments section of the FY 2010 and FY 2011 appropriations as follows:

Section 3: Catastrophic Aid Program: SB 519 suspends all catastrophic aid payments to hospitals effective April 1, 2010 through June 30, 2011 - \$1 million in FY 2010 and \$2.8 million in FY 2011 – to pay for the most severely ill Medicaid patients in hospitals.

The catastrophic program has been completely revamped since the previous budget cycle. The program now has set criteria by which catastrophic claim payments are based on higher case mix indices, longer lengths of stay and higher acuity. As stated by DHHS in budget analyses, the funds are to be used to provide for additional inpatient payments outside of the DRG system where the payment is below 25 percent of hospital charges. Based on these criteria, clearly these are claims that represent extraordinarily complex and expensive care provided to NH Medicaid patients. Although we contend that the fund is woefully under-budgeted, it still remains an important component to the overall Medicaid hospital reimbursement system.

We ask that catastrophic payments not be suspended for the remainder of the biennium.

Section 5: Indirect Medical Education (IME): The suspension of the IME payments disproportionately impacts three New Hampshire hospitals that have federally approved graduate medical education programs. Physicians in training treat Medicaid patients throughout the state at Dartmouth-Hitchcock Medical Center in Lebanon and DHMC clinics throughout the state, as well as at Concord Hospital in Concord and Southern NH Medical Center in Nashua. Providing IME payments has been a long-standing Medicare and Medicaid policy that is intended to recognize the increased patient care costs of teaching hospitals as compared to non-teaching hospitals. The amount of the IME adjustment is dependent on the hospital's teaching intensity. The proposed suspension of these vital payments to three hospitals places additional burden on these hospitals to meet their mission of maintaining high level residency and training programs for future physicians.

We ask that IME payments not be suspended for the remainder of the biennium.

The total reduction for the payments described above is approximately \$6 million. This is significant and unreasonable. It reduces payments for specialized care for the sickest patients, and it reduces payments for the services of doctors in training who treat the state's low income patients. We urge the committee to reject the reduction in these vital payments to hospitals.

Thank you.