



February 7, 2003

The Committee on Energy & Commerce  
U.S. House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

Honorable Committee Members:

On behalf of the Ohio Hospital Association and our member hospitals and health systems, we would like to submit the attached statement for the record regarding the Bush Administration's Medicaid reform proposals. We understand that the committee was originally scheduled to hear testimony on Medicaid reform earlier this week, but plans to re-schedule due to memorial services for the crew of the *Columbia* tragedy.

We look forward to working with the committee on this and other health care initiatives during the 108<sup>th</sup> Congress. If you have questions or comments, please contact Jonathan Archey, OHA's federal relations manager or myself.

Sincerely,

A handwritten signature in black ink that reads 'J. B. Callender'.

John Callender  
Senior Vice President

JEC/jsa

Attachment

c.c. Ohio Congressional delegation, American Hospital Association, Ohio allied regional hospital associations

**Ohio Hospital Association  
Statement for the Record  
U.S. House of Representatives Energy and Commerce Committee  
Hearing on Medicaid Reform  
February 7, 2003**

## **Introduction**

On behalf of our more than 170 hospitals and 40 health systems, the Ohio Hospital Association (OHA) appreciates the opportunity to submit this statement for the record on Medicaid reform. The OHA believes the Medicaid program must be made strong in order to continue meeting the health care needs of our most vulnerable population. At least 1.6 million poor, disabled, and elderly Ohioans rely on Medicaid for their care. The program truly has become Ohio's health care safety net – for patients, hospitals, and the communities they serve.

The importance of this role has never been more critical than today. Medicaid has historically served as a buffer to the perils of an uncertain economy by providing access to health services for those who cannot afford it. Unfortunately, the current recession has caused a serious fiscal crisis in Ohio. Ohio currently faces a budget shortfall of \$5 billion. In partial response, the State of Ohio is considering reducing Medicaid eligibility, health services, and payments to health care providers. It is imperative that any federal action to address the current crisis, and any federal efforts to change the current structure of the Medicaid program must neither put further financial pressure on our state nor encourage diminished coverage to our fellow citizens.

The Administration's proposal seeks fundamental changes to the Medicaid program to give states "flexibility" without providing compelling evidence that such changes are necessary. It provides relatively little additional funding for states to "expand coverage to more people," and little fiscal relief to states. It caps mandatory, optional, and S-CHIP funding at a predetermined baseline that threatens spiraling reductions for providers. And it dismantles the Disproportionate Share Hospital (DSH) payment program, a fundamental source of support for safety net hospitals that serve the uninsured and underinsured in Ohio.

These concerns are detailed below:

## **Increased Flexibility for States Is Not Necessary**

The Administration asserts its proposal will "give states greater flexibility to target scarce dollars at poor people who need health care the most." Currently, states that wish to tailor specific aspects of federal Medicaid rules to meet the needs of a given population apply for special waivers. Under Health and Human Services (HHS) Secretary Thompson's leadership, more than 500 waivers have been secured in the past two years, and more than 2,500 waivers have been approved overall. These waivers have allowed states to expand Medicaid eligibility to an additional 2.2 million people who were not

previously covered. At the same time, the layer of federal oversight maintained by the waiver system has ensured that States' creative solutions for certain populations do not inadvertently take benefits from others.

The OHA believes that federal oversight of state Medicaid programs serves as an important tool in protecting access to health care services for vulnerable people. Federal oversight ranges from overseeing Medicaid managed care plans to make certain enrollees have access to quality health care providers, to assuring the financial integrity of the program by making certain states spend their Medicaid funds on health care.

The Administration's approach would significantly weaken this oversight role for the federal government and erase state accountability for the management of their programs. Moreover, the Administration has not demonstrated that the waiver system is not working; additional flexibility for states to implement their Medicaid programs may not be necessary.

### **Inadequate Fiscal Relief and Inappropriate Funding Caps**

Secretary Thompson estimates that an additional \$3.25 billion will be provided to State Medicaid programs in FY 2004, with \$12.7 billion in extra funding over seven years. Such monies would be used by the States to "expand coverage to more people, including the mentally ill, chronically ill, those with HIV/AIDS and those with substance abuse problems." But these modest increases – less than 2 percent of the total Medicaid budget – would not go far in achieving such lofty goals. We question the Administration's methodology in determining the amount of the increases.

Further, the Administration's approach would cap federal spending using FY 2002 spending as the base year, updated yearly by a non-specified trend factor. The required state maintenance of effort would also be tied to the FY 2002 base year amounts, with annual updates. This process is flawed in that it would create an arbitrarily capped program that will, over time, struggle to meet the needs of the mandatory population by pressuring States to reduce coverage to their non-mandatory populations and to reduce payments to providers.

The OHA believes that the current fiscal crisis faced by states demands immediate and meaningful federal support. The effective strategy toward this end would be for the federal government to begin paying, under Medicare, 100 percent of the costs associated with mandated services provided to patients who are dually eligible for Medicaid and Medicare. But whatever the form of relief Congress provides, states should not be forced to radically transform their programs to receive such fiscal relief, nor should they be compelled to reduce future spending to repay the federal support given now.

### **Elimination of the Disproportionate Share Hospital (DSH) Program**

The OHA believes that the U.S. and Ohio governments have an obligation to maintain their financial commitment to the program. The Administration proposes to sever the federal and state financial partnership and replace it with a fixed federal commitment and a state maintenance of effort, which

begins to unravel the financial foundation of the Medicaid program. At the heart of the proposal is the absorption of the Medicaid DSH funds into the acute care allotment. The current Medicaid DSH program, administered through Ohio's Hospital Care Assurance Program (HCAP) is the reason many hospitals have been able to continue serving our most vulnerable citizens. The elimination of this discrete payment program would be a devastating blow to these hospitals, and to the poor and uninsured patients they serve. Many of these hospitals are in financial jeopardy; many are the sole source of care in their communities. Their failure would put communities at risk, because without them, medical services, social services and important jobs would disappear.

The committee should enact the Medicaid Safety Net Hospital Continued Preservation Act introduced by Reps. Ed Whitfield (R-KY) and Diana DeGette (D-CO), respectively. This bipartisan bill would eliminate a scheduled falloff in federal Medicaid DSH funding, so that in 2003 and beyond each state DSH program can keep pace with inflation.

## **Conclusion**

The Medicaid program has played a vital role in providing access to health care services to millions of Ohioans since its inception. The current fiscal crisis faced by the State of Ohio demands federal intervention and assistance, but such intervention should not put at risk the mission of the Medicaid program: to protect poor children and their families, the elderly and disabled. Nor should it threaten the ability of hospitals and other providers to provide vital health care to Ohio's communities. The OHA stands ready to assist the committee in any way as it endeavors to balance these goals.

We applaud the Administration's goal of expanding access to primary care services for the poor and uninsured. While this effort may reduce the need for acute care services, even individuals with access to primary care get old, sick, or injured. Directing funds from acute to primary care may mean acute care for all is not available when needed. What will happen then?