

The Honorable Bob Taft
Governor, State of Ohio
77 South High Street, 30th Floor
Columbus, OH 43215

December 11, 2002

Dear Governor Taft:

The Ohio Hospital Association (OHA), on behalf of our member hospitals and their 230,000 volunteers and employees, strongly urges your reconsideration of the proposed freeze in hospital inpatient payment rates for the next calendar year. The Department of Job and Family Services recently informed OHA of an emergency rule that would freeze inpatient payment rates for the first five months of 2003. There are several reasons why such a freeze would be detrimental, not only to the hospitals in this state, but to the entirety of Ohio's economy as well:

- ❖ Hospitals remain the medical safety net in this state, providing care for those unable to pay. Nursing homes, physicians, and pharmacies are under no obligation to do likewise. In 2000, Ohio hospitals provided over \$550 million in care to the uninsured. With Medicaid losses, hospitals reported uncompensated care statewide of over \$710 million.
- ❖ The Hospital Care Assurance Program, for which hospitals provide the state share, only brought \$330 million into the state in 2002 to assuage that \$710 million shortfall. Unless Congress acts soon, next year, the federal allotment will decrease by over \$45 million.
- ❖ While the uncompensated care that hospitals provide is one challenge to hospitals' survival, the rising cost of providing all types of care is another. A freeze in hospital payments will not also freeze input costs, such as the price of new technologies, as well as drugs and labor. Moreover, Medicaid is now reimbursing hospitals for only 90 percent of the cost of the care it purchases.
- ❖ This five-month delay in the inpatient update would cost Ohio hospitals nearly \$12.5 million in Medicaid reimbursements, but would only save Ohio roughly \$5.1 million in state funding. For every state dollar saved, \$1.44 is left in Washington where it cannot help Ohio's economy.

While OHA realizes that the State has a serious budgetary crisis, Ohio's hospitals are facing serious challenges as well. In fact, 13 Ohio hospitals that were dependent on Medicaid have closed in the past three years—more than any other state in the union. As a result, while Ohio hospitals are willing to make sacrifices in a down economy, hospitals are not willing to accept a disproportionate cut in reimbursement. With our ability to continue to deliver the best patient care possible in mind, OHA urges your administration to not issue an executive order freezing hospital payments in the first half of 2003. In order to convey the true impact of Medicaid funding on our community hospitals, OHA would like to extend an invitation to both the First Lady and yourself to tour Ohio's largest Medicaid provider, MetroHealth Medical Center in Cleveland during this holiday season.

Sincerely,

James R. Castle
President

JRC/rb

cc. The Ohio General Assembly

