



June 16, 2003

The Honorable Bill Harris  
Chair, Senate Finance Committee  
Ohio Senate  
Columbus, Ohio 43215

Dear Senator Harris:

On behalf of the more than 170 hospitals in Ohio and the nearly 240,000 people they employ, the Ohio Hospital Association (OHA) appreciates efforts made by the legislature to meet the needs of Medicaid providers and balance the budget. The impact the biennial budget has on hospitals and the patients they serve is significant. This letter highlights provisions important to the hospital community.

#### **Medicaid Eligibility**

The Medicaid relief provision enacted by Congress creates many challenges and opportunities for legislators. Primarily, it raises the issue of whether or not to accept \$770.1 million in additional federal funding and, if so, how the dollars should be allocated to best meet the health care needs of Ohioans.

To leverage the federal funding, OHA believes Ohio cannot roll back eligibility of the current Medicaid population. According to the Ohio Department of Job and Family Services (ODJFS), the amount of biennial savings for eliminating the health insurance for 50,000 working Ohioans is \$33 million in GRF. In the face of losing \$770 million in federal funding, the decision to expend \$33 million to preserve benefits for 50,000 working adults appears to be a rational and fiscally sound decision.

At least 1.2 million Ohioans are uninsured. Eliminating coverage for an additional 50,000 adults below the Federal Poverty Line would further increase the number of uninsured seeking “free” care in hospital settings. Since hospitals in Ohio are required to provide medically necessary care, free of charge, to those individuals with incomes below the Federal Poverty Line (\$18,400 for a family of four), losses in Healthy Families Medicaid eligibility will result in longer waits at emergency rooms, and greater financial stress on Ohio’s hospital system.

#### **Medicaid Funding**

As a part of federal Medicaid relief, the federal matching rate for Ohio will be increased by 2.95% for a period of 15 months. The Congressional Budget Office predicts that Ohio will increase its federal share by \$384 million over the 15-month period. These dollars would not require GRF, but would provide a significant boost to the services that currently draw down federal matching dollars in Medicaid.

Medicaid is an essential program for many hospitals throughout Ohio. Medicaid reimbursement already falls short of the cost of care—covering only 90 percent of Medicaid costs. **Annually, hospitals lose over \$150 million providing care to Medicaid patients. In 2000, Ohio hospitals also provided more than \$550 million in care to the uninsured for a total of \$710 million in uncompensated care.**

Historically, hospital inpatient Medicaid reimbursement fees have been adjusted annually for inflation. Regrettably, the proposed budget includes a freeze on hospital adult inpatient rates. This will reduce payments to hospitals by over \$80 million (\$40 million state share) over the biennium, making struggling hospitals even more financially vulnerable. To compensate for Medicaid losses, hospitals may be forced to reduce services or access, or require other patients to pay more.

Reducing funding does not reduce the need for health care services for low-income citizens. A cost effective alternative is to provide an update for hospital outpatient services.

### **Medicaid Outpatient Inflationary Adjustment**

Ohio hospitals are striving to offer a greater number of services on an outpatient basis, thus improving patient satisfaction, controlling excessive costs and delivering care in a more cost effective manner. For hospitals to best continue this practice, the Medicaid payments for this more efficient form of health care delivery must not force hospitals to absorb a **25% loss** on average for each Medicaid outpatient procedure. In 2000, hospitals lost \$95.8 million providing outpatient services to the Medicaid population.

- ❖ **Outpatient:** The Senate allocated \$9 million in state share to assist hospitals in maintaining the health care safety net for the poor and uninsured. OHA is seeking an additional \$15 million to keep pace with medical inflation. The outpatient fee schedule has been adjusted only twice since 1991.
- ❖ **Human Services Stabilization Fund:** OHA supports a portion of the dollars being set aside for a human services rainy day fund.

### **Medicaid Managed Care for the Aged Blind and Disabled**

The House Finance Committee wisely limited the authority of the ODJFS to implement a proposed care management system for the vulnerable aged, blind and disabled Medicaid population and eliminated language requiring that hospitals treat patients enrolled in HMOs with which they have no contract and accept only 95 percent of fee-for-service as full payment. The Senate Finance Committee chose not to reinsert this problematic language. The parameters for this program should be developed in the regulatory arena and not be dictated in statute. OHA will oppose any efforts to reinsert the language the House deleted from the budget bill.

If Medicaid is not funded to meet all obligations, statutory requirements will be met and the nursing homes will be reimbursed. However, it will be at the expense of all other Medicaid providers. Ohio's hospitals are waging a constant battle to maintain a level of funding that allows them to offer quality services to their communities while continuing to improve and better meet their patients' needs. Cuts in funding and access to care will cause lasting damage to patient care, hospitals, local communities, and the state's economy, creating serious repercussions—directly and indirectly—for all Ohioans. Your support of these budget priorities for Ohio's hospitals is crucial to the future of health care throughout Ohio.

I would welcome the opportunity to answer any questions you may have.

Sincerely,

Bridget Gargan  
Vice President, State Policy and Advocacy

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