

May 28, 2003

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

Dear Senator Harris:

The Ohio Hospital Association (OHA) appreciates efforts made by the Senate finance committee to meet the needs of Medicaid providers and balance the budget. However, as issues were being resolved at the state level, Congress enacted a Medicaid relief provision, which creates many challenges and opportunities for legislators. Primarily, whether or not to accept \$770.1 million in additional federal funding and, if so, how the dollars should be allocated to meet the health care needs of Ohioans.

To leverage the funding, Ohio cannot roll back eligibility of the current Medicaid population. Since the proposed budget eliminates Medicaid coverage for 50,000 working adults, Ohio would forfeit three quarters of a billion dollars. 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 appears to be a rational and fiscally sound decision.

Congress enacted two mechanisms to allocate the federal dollars. The federal matching rate for Ohio, the state's FMAP, 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.

The other avenue is a block grant made to the state. The tax bill provides \$10 billion in immediate fiscal relief for states, of which Ohio stands to receive \$193 million in both FFY 2003 and FFY 2004. These funds would then be available for the following uses: (1) essential government services or (2) financing un-funded federal mandates.

The FMAP increase will help to bolster payments made to Ohio hospitals for serving the federally mandated Medicaid populations. However, with the additional block grant funding, OHA is proposing three amendments to be included in the Senate sub-bill:

- ❖ **Inpatient Inflationary Update:** In calendar year 2000, Ohio hospitals lost \$27.4 million in delivering inpatient care to Medicaid recipients. The inpatient update would require approximately \$40 million in GRF in each of the next two years.
- ❖ **Outpatient Inflationary Update:** For hospitals to continue delivering outpatient services to Medicaid patients the state must not force hospitals to absorb a **25 percent loss** on average for each Medicaid outpatient procedure. In 2000, hospitals lost \$95.8 million providing outpatient services to the Medicaid population. The Senate has

allocated \$8 million toward the outpatient fee schedule. OHA is seeking an additional \$16 million in state GRF for an outpatient update for hospitals.

- ❖ **Create an Uncompensated Care Assurance Program:** By using \$50 million in block grant money in each of the next two years, the Uncompensated Care Assurance Program, with a total biennial cost of \$100 million, would make up for the federal cut in the Hospital Care Assurance Program (HCAP). In 2002, HCAP funded Ohio hospitals with \$330 million in federal funds. In 2003, HCAP will be funded at \$280 million. The proposed Uncompensated Care Assurance Program would restore that cut and help Ohio hospitals provide the uncompensated care that the state of Ohio requires. Currently, Ohio hospitals provide over \$710 million annually in uncompensated costs for Medicaid and the uninsured. Providing necessary hospital services to Ohio's working poor is an essential government service of the highest priority.
- ❖ **Human Services Stabilization Fund:** OHA supports a portion of the dollars being set aside for a human services rainy day fund.

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 hospitals throughout Ohio.

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

Sincerely,

Bridget Gargan
Vice President, State Policy and Advocacy

Cc Senate Finance Committee
Teri Geiger, Senate Majority Chief of Staff
Brian Perera, Senate Majority Finance Director
Pat McLean, Senate Minority Chief of Staff
House Finance Committee
Brett Bureck, House Chief of Staff
Chris Whistler, House Budget Analyst
Gary Dougherty, House Minority Chief of Staff
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