



Minnesota Hospital Association

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May 1, 2013

Senator Tony Lourey
Senator Kathy Sheran
Senator Jeff Hayden
Senator Melisa Franzen
Senator Melissa Wiklund

Representative Tom Huntley
Representative Tina Liebling
Representative Diane Loeffler
Representative Rena Moran
Representative Jim Abeler

Dear Senators and Representatives:

On behalf of our members, which include Minnesota's 144 high quality hospitals and health systems, the Minnesota Hospital Association thanks you for your work on HF1233, the Omnibus Health and Human Services Finance bill. First and foremost, we are grateful for the work of the Department of Human Services and legislative leaders who pursued and successfully garnered extension of the MinnesotaCare program for an additional year. Without that continued federal participation in our MinnesotaCare program, this budget could have been very harmful for Minnesota's sick and vulnerable populations that we are all trying to serve.

We offer the following feedback and preferences that we hope the committee will take into account in the final conference committee report.

Unwarranted Increases to the Hospital Surcharge:

As stated in our earlier committee testimony, MHA's greatest concern is the House bill provision which would significantly increase the hospital surcharge. The House bill calls for the surcharge to go from the current 1.56% to 2.68% (with an exclusion for government-owned hospitals). This represents a significant 71% increase, which would result in hospitals paying more than \$202 million in additional surcharge taxes for the biennium. This is problematic for several reasons:

- Despite creative efforts to target the Medicaid rate increases (\$193.8 million state and federal dollars), the larger the surcharge is the more disparate the impact of the surcharge is to the hospital community.
- With federal Medicare cuts already in place and more on the horizon, the amount of upper payment limit (e.g. state Medicaid payment rates cannot exceed federal Medicare payment rates) room is likely to diminish. Hospitals may not be able to accept the Medical Assistance rate increases called for in the House language. This puts hospitals at significant risk for not being able to accept the Medical Assistance rate increases that should be for at least half of the amount of new surcharge dollars to be paid in.
- Minnesota's Medicaid program is undergoing numerous reforms and we are uncertain about the amount of fee-for-service Medicaid that will still be in place. This also adds to the uncertainty about how a surcharge increase of this size will affect different hospitals, which may have a larger percentage of PMAP patients instead of fee-for-service patients.

In addition to those more general concerns, MHA simply could not produce a reasonable fiscal analysis of the House's current surcharge proposal. One-third of the targeted Medical Assistance rate increases were associated with "Medicare losses in 2013." There are just too many questions to be answered. Are Medicare losses associated with: Medicare cuts from the Affordable Care Act; Medicare cuts from sequestration;

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Medicare underpayments below costs; losses based on dollar volume lost or based on a percentage of Medicare patients/revenue?

These questions make modeling the current House language impossible. MHA would also need the Minnesota Department of Human Services to assure federal approval of Medicaid rates being used to offset Medicare losses. Without this, hospitals could be responsible for new surcharge liabilities without corresponding Medicaid rate increases.

MHA continues to view surcharges as a funding gimmick and we are hopeful that the conference committee will not resort to adding new taxes on hospitals at this time.

Needed Increases in MERC Funding:

MHA thanks both the House and Senate for the recognition that funding the Medical Education and Research Cost program is vital. MERC funds are used to train our next generation of health care providers. As the data shows, if we can train health care providers in Minnesota, they are more likely to stay in Minnesota to practice. MHA supports the House funding to restore the cuts made in the last biennium.

Health Care Provider Rate Increases:

MHA is appreciative of the Senate position to increase inpatient hospital payment rates by 1.4% beginning in 2015. As MHA has stated many times, hospitals are currently paid at 26 percent less than our 2002 cost for inpatient fee-for-service. The recognition that these rates need to change is greatly appreciated.

Emergency Medical Assistance Dialysis and Cancer Care:

MHA is grateful that both the House and Senate funded the continuation of dialysis and cancer care provided to this population in our hospitals.

Premature 340b Drug Program Changes:

MHA supports the Senate position and asks that the final conference report direct the Department of Human Services to study this issue and make recommendations back to the legislature. Making these cuts without more stakeholder input and study is premature.

Troubling Regional Treatment Center Transition Grant Elimination:

MHA is very concerned about the elimination of \$5.3 million dollars for in-patient mental health coverage in nine of our rural hospitals. This is a small investment to keep these needed beds open and patients as close to home as possible. We ask the conference committee to restore this funding.

Incarcerated Inpatient Payment to Medical Assistance Rates:

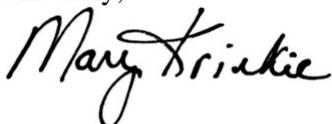
While the change may result in some payment reductions to hospitals, MHA understands the need to have inmates eligible for Medical Assistance while they are receiving inpatient hospital care. We appreciate the legislature's recognition that the costs of security while these inmates are in the hospital will be the responsibility of the authority with jurisdiction over the inmate.

HMO Rate Cuts to Limit Trend Increases:

Without additional clarification, the PMAP rate cut to HMOs in the 2016-2017 biennium maybe excessive. Savings of this amount will likely result in significant cuts being passed on to providers.

Thank you for your consideration of MHA's positions and priorities during your deliberations.

Sincerely,



Mary Krinkie
Vice President, Government Relations



Kristin Loncorich
Director, State Government Relations