



Minnesota Hospital Association

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**Statement from Lawrence Massa, President  
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***Governor Pawlenty's proposed budget will undermine hospitals' stability,  
unravel the state's health care safety net***

ST. PAUL, Minn. — Governor Tim Pawlenty's budget proposal announced today will severely hurt Minnesota's hospitals and the citizens they serve. His proposed budget would entirely eliminate some payments to hospitals, unilaterally reduce payment rates for patients in state health programs, cut spending on medical education and put adults now covered by insurance into the growing ranks of uninsured patients.

Because of available federal matching dollars to subsidize the state's costs in many of these areas, for each dollar the governor tries to save for the state budget, hospitals would lose \$2 in their reimbursements. For example, the governor proposes cutting hospitals' rates for treating Medicaid patients by another 3 percent. While this would save the state approximately \$35 million, the true cost to hospitals would amount to about \$65 million when the lost federal match is taken into account. Moreover, these cuts would come on top of \$38 million of cuts to hospitals announced last month when the governor exercised his unallotment authority and, when federal matching dollars are included, \$196 million of cuts to hospitals imposed by the state to solve last year's budget shortfall.

While slashing approximately \$365 million to hospitals, when federal dollars are included, his budget would simultaneously increase the number of people in Minnesota without health insurance by kicking an estimated 84,000 people out of MinnesotaCare, Medical Assistance and the General Assistance Medical Care insurance programs. To put this in perspective, that would result in more than a 20 percent increase in Minnesota's uninsured population. As more and more Minnesotans become unemployed, the need for these programs is increasing. Without insurance, these people are likely to rely on hospitals' emergency rooms as their sole source of health care, thereby increasing hospitals' growing uncompensated care costs and further straining our fragile health care system's ability to deliver quality, timely care.

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Patient care and accessibility to health care are bound to suffer if the governor's budget goes into effect. The price businesses and individuals pay for health insurance is bound to increase as health care providers are forced to increase their prices for private payers to make up for the state's underpayments. And, long term, Minnesota's physician shortage will worsen because of the proposed cuts to medical education. We've already seen caregivers and other staff lose their jobs because of the economic downturn and the state's previous cuts to hospitals. The governor's proposed budget will lead to more layoffs, fewer physicians in our work force and elimination of vital hospital community services.

Minnesota's hospitals implore the governor and legislators to reject these destabilizing approaches to solving Minnesota's budget deficit. Hospitals serve as a key safety net for those who most need the state's help during this time of economic turmoil. While the rest of the country focuses on increasing access to health care for residents, improving health care quality and lowering the cost of health care for businesses and individuals, the governor's proposed budget would violently shift gears and turn Minnesota in the opposite direction, setting us further behind on each of those goals.

To impose such blatant and disproportionate budget cuts on hospitals will only further stress and unravel Minnesota's health care system.

*The Minnesota Hospital Association is a trade association representing Minnesota's hospitals and health systems.*