



Minnesota Hospital Association

News Release

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## **Governor Pawlenty's Revised Budget Will Hurt Hospitals Even More**

### ***Statement from Lawrence Massa, Minnesota Hospital Association President***

ST. PAUL, Minn. (March 19, 2009) — Gov. Tim Pawlenty's revised budget issued on March 17 will cut even more deeply into health and human services. Despite receiving \$1.8 billion in federal stimulus money, the governor continues to cut badly needed funding to hospitals that are the safety net for our citizens who are profoundly affected by the economic downturn. His approach continues to be short-sighted and will have a devastating impact on Minnesota's hospitals and the patients they serve.

When the Governor announced his first budget in January, he recommended that \$691.5 million in payment and eligibility cuts come from Minnesota's hospitals.

Now the Governor's updated budget proposal recommends cutting \$172 million from the state's general fund by scaling back the General Assistance Medical Care (GAMC) program, in addition to the health and human services cuts recommended in his first budget proposal. The GAMC program serves the most poor and indigent citizens of our state who make only \$7,800 a year. The governor is proposing that current coverage for inpatient care would be replaced with limited funding from an uncompensated care pool and augmented with a scaled-back set of outpatient benefits, including physician, pharmacy, laboratory and mental health services. While many of the details regarding the proposed scaling back of GMAC are still unknown, it is apparent that the governor's projected savings translates into less overall reimbursement for GAMC-related hospital services.

The governor will temporarily delay his initial proposal to eliminate MinnesotaCare coverage for 29,000 adults with children until January 2011, because of the maintenance of effort requirement in the federal stimulus bill. However, it appears that the governor intends to keep his original proposal to eliminate coverage for 55,000 adults without children, which would mean \$409.5 million in uncompensated care costs for Minnesota's hospitals.

Minnesota hospitals are predicting that the shift in costs to hospitals through the scaling back of the GAMC program will be significantly higher than any potential reimbursement gained from the temporary restoration of MinnesotaCare coverage for adults with children. This makes the governor's revised budget proposal much worse for Minnesota's hospitals, and Minnesotans need to be very concerned.

If the governor's budget proposal is accepted, Minnesota hospitals will be forced to reduce or eliminate additional services, lay off more workers and delay much-needed capital improvements. The

disproportionate share of the governor's proposed cuts will shatter Minnesota's hospitals, threatening to tear down the safety net for Minnesota citizens who, now more than ever, need help.

Clearly the governor does not understand that the only way for the health care infrastructure in Minnesota to survive is by creating a fair and balanced approach to deal with our state's budget crisis. Minnesota's hospitals believe in two key principles that need to be applied to the state's budget crisis:

- 1) Budget cuts need to be made across the board. Health and Human Services spending cannot, and should not, bear a disproportional share of the cuts.
- 2) Because of the magnitude of the budget shortfall, new revenues need to be a part of the budget solution.

Hospitals are already in a dismal financial situation because of the recession. If the governor's budget proposal were to pass, things will get much worse and hospitals will be forced into a precarious situation that could ultimately impact patient care and threaten Minnesota's position as a leader in providing quality health care.

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

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