

REQUEST FOR BOARD ACTION

HENDERSON COUNTY BOARD OF COMMISSIONERS

MEETING DATE: Monday, December 4, 2006

SUBJECT: Resolution in Support of Federal Hospital Funding

ATTACHMENTS: Attachment 1: NCACC Press Release
Attachment 2: Talking Points, State Plan Amendment
Attachment 3: Proposed Resolution

SUMMARY OF REQUEST:

The North Carolina Hospital Association (NCHA) is opposing an effort by the Centers for Medicare and Medicaid Services (CMS) to reduce federal Medicaid Expenditures by changing the administrative rules for qualifying hospitals to receive supplemental funding through the Disproportionate Share Hospital appropriations program. This program provides supplemental funds to hospitals that have a large share of Medicaid eligible and uninsured patients. As stated by the North Carolina Association of County Commissioners, "Elimination or reduction in this funding could cause a lot of North Carolina's smaller hospitals to go under." NCHA is asking individual counties to adopt a resolution similar to the one approved by the Association.

Additional information from the Association is attached for your review and a draft resolution is attached for the Board's adoption.

BOARD ACTION REQUESTED:

Staff recommends adoption of the attached resolution.

Suggested Motion:

I move adoption of the attached resolution and direction to staff to forward the executed resolution to the Office of the President of the United States and the Centers for Medicare and Medicaid Services.

Association joins fight to save hospital funding

Proposal could mean \$320M loss to N.C. hospitals

While the threat of having the federal government slash its reimbursement rates for Medicaid services is nothing new, Tar Heel hospitals would feel the effects more than ever under a new federal proposal.

Congress and the Centers for Medicare and Medicaid Services (CMS) are considering new administrative rules that would change a hospital's ability to qualify for supplemental assistance. For more than a decade, the federal government has offered additional funding to hospitals that serve a high share of Medicaid-eligible or uninsured patients under a program called the Disproportionate Share Hospital Program.

The North Carolina Hospital Association is leading the charge to put a stop to the proposed rules. At its Oct. 14 meeting, the NCACC's Board of Directors joined the fight by adopting a resolution that requests President Bush to "halt promulgation of any regulation or other such action that would limit the funding of hospital care for those who are Medicaid eligible or uninsured," and "preserve the supplemental Medicaid payments to North Carolina hospitals." Boards of Commissioners in Watauga, Stanly and Pasquotank counties have adopted similar resolutions.

At issue is a CMS proposal that would redefine the hospitals authorized to provide Certified Public Expenditures, and limit the type and amount of losses that can be used to provide the expenditures. Currently, hospitals self-declare their Medicaid expenditures. The proposed rules would likely reduce the number of North Carolina hospitals that qualify for the program and, in turn, dramatically reduce the funds that flow through to help hospitals pay for non-reimbursed Medicaid expenditures. The loss to North Carolina hospitals is estimated at \$320 million.

Watauga Medical Center President Richard Sparks told the Watauga Democrat that the loss of supplements would have "a ripple effect. It would come from our operational money. When we take care of a Medicaid patient, we're not even recouping our costs, and other patients have to subsidize it. ... It would stress us financially and cause rates to go up to make up the difference."

Hugh Tilson, a lobbyist for the North Carolina Hospital Association, said the new regulations would "gut" the state plan within the next four to five months. Statewide, 121 hospitals participate in the plan.

"We keep hearing it will happen after the election, or in the lame-duck period," he said. "We don't know the full effect of these rules yet, but we believe it will happen soon. We have to put a significant amount of pressure on the White House and congressional representatives to let them know we are watching."

Talking Points, State Plan Amendment

About the program itself

- The Center for Medicare & Medicaid Services (CMS) wants to reduce Medicaid funding for safety net hospitals in an effort to reduce costs. It has targeted North Carolina's Medicaid Reimbursement Initiative Program State Plan, and others like it in other states.
- The proposed change would essentially gut the State Plan.
- This proposed change can be done at the Administrative level and does not need Congressional approval or review.
- The State Plan is designed to help supplement losses incurred by treating Medicaid and uninsured patients. It only covers a portion of those losses.
- The Medicaid Reimbursement Initiative Program is in full compliance with current federal law.
- This Medicaid Reimbursement Initiative has been approved by CMS on multiple occasions. The Plan has been designed to permit critical supplemental payments without any additional cost to the State.
- The Plan works through a cooperative endeavor between the Division of Medical Assistance and North Carolina hospitals, through which public hospitals provide Certified Public Expenditures to the Division documenting losses incurred for providing services to Medicaid and uninsured patients. The Division uses those certifications to draw down the federal portion of payments to which those hospitals would be eligible.
- The federal funds are paid out equitably to public and non-public hospitals.
- CMS is proposing:
 - A stringent "redefinition" of public hospitals authorized to provide Certified Public Expenditures.
 - A limitation on the type and amount of losses that can be used to provide Certified Public Expenditures.
- Either change in the program would effectively gut it.

About the effect on NHRMC and other hospitals

- In North Carolina, 121 hospitals participate in the State Plan.
- In FY 2006, the Plan was worth \$323.6 million to North Carolina hospitals.
- In FY 2006, the Plan was worth \$17.7 to NHRMC, which basically comprised the hospital's bottom line.
- Even with these payments, NHRMC lost \$35.4 million, on a cost basis, from treating 116,000 Medicaid and uninsured patients.
- In five of the last seven years, payments for the plan have been greater than NHRMC's operating margin. Without the program, NHRMC would have operated in the red.
- Without this supplemental funding, NHRMC would have to either lay off people or reduce services that the poor and underserved have come to depend on.
- NHRMC employs 4,429 people, the largest employer in the region.
- Revenue over expenses is what funds equipment, facilities and, in our case, our \$220 million building project.
- For rural and smaller hospitals, such as Pender Memorial, the loss of this supplemental funding will more than wipe out the bottom line and will cause a struggle for survival.

**RESOLUTION SEEKING PRESIDENTIAL ACTION TO
PROTECT NORTH CAROLINA HOSPITALS**

WHEREAS, North Carolina hospitals provide quality health care for all patients, regardless of their ability to pay; and

WHEREAS, Medicaid payments to hospitals do not cover the actual costs of services; and

WHEREAS, federal law explicitly provides for supplemental payments to hospitals, through the states, to offset a portion of the difference between Medicaid payments and the actual cost of caring for Medicaid and uninsured patients; and

WHEREAS, the State of North Carolina has benefited from this supplemental payment plan for hospitals with the approval of the federal Centers for Medicare and Medicaid Services (CMS) since 1997; and

WHEREAS, in North Carolina this funding has allowed North Carolina hospitals to continue their mission of quality health care for all; and

WHEREAS, CMS is developing regulations that could significantly limit the ability of our hospitals to qualify for supplemental Medicaid payments; and

WHEREAS, such regulations could reduce yearly payments to North Carolina hospitals by as much as \$320 million; and

WHEREAS, such a reduction would significantly harm many of our hospitals, the communities they serve and their patients;

NOW, THEREFORE, BE IT RESOLVED that the Henderson County Board of Commissioners respectfully requests The Honorable George W. Bush, President of the United States, to use the power of that office to:

1. Halt promulgation of any regulation or other such action that would limit the funding of hospital care for those who are Medicaid eligible or uninsured, and
2. Preserve the Supplemental Medicaid Payments to North Carolina hospitals.

ADOPTED this the fourth day of December, 2006.

William L. Moyer, Chairman
Henderson County Board of Commissioners

(Seal)

Attest _____
Elizabeth Corn, Clerk to the Board