Protect Critical Healthcare Services for Those in Need

LOUISIANA HOSPITAL ASSOCIATION
Louisiana hospitals are proud of the role they play in their communities. They are there – 24/7 – 365 days a year to take care of our most vulnerable citizens.

- John Matessino, LHA President and CEO
Table of Contents

I. Community Hospitals Provide Care for Those in Need

II. LHA Media Statement Regarding Proposed Medicaid Cuts

III. Hospitals and Their Employees Are Valuable Economic Assets

IV. Heavy Dependence on Government Payors and Payments

V. Medicaid Inpatient Hospital Payments Compared to Medical Care Inflation

VI. Medicaid Shortfall for Community Hospitals by Area

VII. Rural Hospitals - Cornerstones of Their Communities

VIII. Healthy Communities Need Healthy Hospitals

IX. Map - Cumulative Mid-SFY 08/09 & Proposed SFY 09/10 Medicaid Cuts in HB 1 by Region
I. Community Hospitals Provide Care for Those in Need

Citizens of Louisiana rely heavily on hospitals to be there 24/7 when they need them most – when a child wakes up in the middle of the night with a high fever, when a father has chest pains, when a wife goes into labor, when a teenager breaks a bone or when a neighbor faces a chronic illness. During life’s most uncertain times, your community hospital is there to provide the best care possible, 365 days a year.

Louisiana hospitals open their doors to everyone, regardless of their ability to pay.

Non-state community Louisiana hospitals provided over 367,940 emergency room visits to Medicaid patients in 2007.

-According to the 2008 LHA Annual Survey

During 2008, non-state community Louisiana hospitals provided inpatient services to 148,643 Medicaid patients, resulting in 671,133 days of care. In addition, these same hospitals provided 581,066 outpatient visits for individuals with Medicaid.

-According to DHH DSH Survey Summary SFY 2009
II. LHA Media Statement Regarding Proposed Medicaid Cuts

FOR IMMEDIATE RELEASE
March 13, 2009

Statement to the Media Regarding Proposed Medicaid Cuts
John Matessino, LHA President & CEO
March 13, 2009

The Medicaid budget reductions to hospitals outlined in Gov. Jindal’s executive budget call for swift legislative action when session begins April 27, 2009 and further the need for a constitutional amendment that would allow the governor to spread the cuts through the entire state budget during tough economic times. The ripple effects of these cuts, the financial market crisis, the subsequent rise in unemployment and the loss of job-based healthcare coverage have impacted the ability of hospitals to continue to serve their communities. These pressures are leading to a decline in hospitals’ financial health at a time when the demand for healthcare services is growing.

To make matters worse, hospitals are already underpaid by the state for Medicaid services. In fiscal year 2008 for example, Louisiana hospitals were underpaid in excess of $150 million. The burden of these proposed hospital Medicaid reductions, combined with underpayments that hospitals already face and the economic climate, leaves our healthcare system and our citizens’ pocketbooks in a fragile state. Hospital cuts adversely affect healthcare costs for businesses and privately insured individuals through cost-shifting, which means those with insurance have to pay even higher healthcare premiums to cover the cost of individuals who do not have insurance.

The negative financial impact of the cuts is tremendous, but the human impact is even more devastating. Services will be reduced. Jobs will be lost. Our communities will suffer.

As the largest employer statewide, hospitals play a critical role in our state’s economy. Healthy communities need healthy hospitals, and the Louisiana Hospital Association and Metropolitan Hospital Council of New Orleans stand ready to work with the Louisiana Legislature to protect funding for critical healthcare services for those in need.

###

CONTACT:
Michelle Clement, APR
Director of Communications & Public Relations
Phone: (225) 928-0026
Fax: (225) 923-1004
E-mail: mclement@lhaonline.org

AFFILIATED WITH THE AMERICAN HOSPITAL ASSOCIATION

HEALTHCARE REFORM PRIORITIES 2009
III. Hospitals and Their Employees Are Valuable Economic Assets

Hospitals and healthcare are an integral part of the Louisiana economy. Not only do hospitals care for their communities 24-7, but hospitals, along with physicians and other healthcare professionals, are also valuable economic assets to Louisiana, which is a fact often overlooked. The state needs to make an extra effort to support and improve these community assets.

The LHA retained Dr. James A. Richardson, Alumni Professor of Economics at Louisiana State University, to provide an analysis of the economic impact of the hospital industry on the Louisiana economy. Some of the highlights from Hospitals and the Louisiana Economy include:

- When considering payroll and the number of employees as a measure, healthcare is the #1 economic engine in Louisiana compared to other industries.

- Overall hospital expenditures are estimated to be $8.8 billion; and overall business transactions as measured by business sales, including the direct hospital expenditures, are $18.6 billion. The number of jobs related to hospital expenditures is 182,586.

- The healthcare industry in Louisiana employs more than 259,960 people, over 13.5 percent of the total workforce and approximately 16 percent of the state’s total private payroll. Hospitals account for over 101,900 employees, with a payroll of approximately $3.6 billion per year.

- Hospitals average about $469 million in building construction each year, leading to the creation of more than 8,042 new jobs yearly in sectors other than healthcare.

- The overall economic activity that is supported by hospital expenditures leads to $487 million in state tax collections and $325 million in local tax collections.

How Do Medicaid Cuts Affect Our Economy?

For every $1 million cut in state Medicaid funding for hospitals, the projected economic impact would be:

- a $3.3 million revenue loss to hospitals;
- a reduction of approximately 70 jobs;
- a reduction of $2.8 million in personal earnings; and
- a loss of $7.2 million in overall business transactions.

The negative financial impact of the cuts is tremendous, but the human impact is even more devastating. Services will be reduced. Jobs will be lost. Our communities will suffer.

– John Matessino, LHA President & CEO
IV. Heavy Dependence on Government Payors and Payments

Hospital funding sources in Louisiana are driven primarily by the Medicare and Medicaid programs. These programs, on average, account for:

- 65 percent (Medicare – 42 percent; Medicaid – 23 percent) of the hospital services delivered in the state,
- But only account for 47 percent (Medicare – 31 percent; Medicaid – 16 percent) of net revenues.

As indicated in Chart 1, **Louisiana Medicaid only covers 83 percent of hospital costs**. Payments from Medicare and self-pay/uninsured patients also do not cover the cost of the care provided.

**How do hospitals cover costs?**

**Chart 1: Percentage of hospital costs covered by payor source**


**In Louisiana:**

- Medicaid payments to community hospitals (non-state, non-rural) are $162 million **below** the cost of the care provided.
- In addition, these same community hospitals provided over $216 million in cost of care to uninsured patients in FY 2008.

Source: DHH DSH Summary File, 2009 (FY 2008 Data)
V. Medicaid Inpatient Hospital Payments Compared to Medical Care Inflation

- By 2010, medical care inflation is projected to have increased over 60 percent since 1995.
- Over the past 14 years, community hospitals have received only a real rate increase of 10.2 percent, averaging to only a .7 percent increase a year.
- With the proposed 13.1 percent cuts in the Executive Budget for 2010, Medicaid reimbursements to hospitals would be reduced to below 1995 payment levels.

VI. Medicaid Shortfall for Community Hospitals by Area

<table>
<thead>
<tr>
<th>Area</th>
<th>Medicaid Costs</th>
<th>Shortfall</th>
<th>% Shortfall as Compared to Medicaid Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>$50,170,990</td>
<td>$3,723,240</td>
<td>7%</td>
</tr>
<tr>
<td>Bayou</td>
<td>$26,094,182</td>
<td>$6,825,959</td>
<td>26%</td>
</tr>
<tr>
<td>Baton Rouge</td>
<td>$173,912,721</td>
<td>$32,240,936</td>
<td>19%</td>
</tr>
<tr>
<td>Lafayette</td>
<td>$92,297,198</td>
<td>$28,316,541</td>
<td>31%</td>
</tr>
<tr>
<td>Lake Charles</td>
<td>$45,241,363</td>
<td>$13,692,030</td>
<td>30%</td>
</tr>
<tr>
<td>Monroe</td>
<td>$42,004,616</td>
<td>$6,244,615</td>
<td>15%</td>
</tr>
<tr>
<td>New Orleans</td>
<td>$331,703,429</td>
<td>$38,652,832</td>
<td>12%</td>
</tr>
<tr>
<td>Northshore</td>
<td>$77,445,010</td>
<td>$17,309,230</td>
<td>22%</td>
</tr>
<tr>
<td>Shreveport</td>
<td>$108,614,636</td>
<td>$15,962,925</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Statewide</strong></td>
<td><strong>$947,484,145</strong></td>
<td><strong>$162,968,308</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

Source: DHH DSH Summary File, 2009 (FY 2008 Data)
VII. Rural Hospitals - Cornerstones of Their Communities

The obstacles faced by healthcare providers and patients in rural areas are vastly different than those in urban areas. Economic factors, cultural and social differences, and the sheer isolation of living in remote rural areas all contribute to the struggle of rural Louisianians to lead healthy lives. These challenges are faced by over 25 percent of our state’s population.

**Rural Health Facts:**

- Out of 64 parishes in Louisiana, 40 are designated as rural and are Health Professional Shortages Areas (HPSA).

- There are 112 Acute Care Hospitals in Louisiana, 50 of which are located in rural areas.

- Of these, 49 hospitals are provided for under the Rural Hospital Preservation Act. These facilities receive funding for uncompensated care for the uninsured, which is crucial to the small and rural hospitals in Louisiana and their communities.

- To be included in the act, a rural hospital must meet one of the following criteria (with a few exceptions):
  - Has no more than 60 beds as of July 1, 1994; and
    - Is located in a parish with a population of less than 50 thousand; or
    - Is located in a municipality with a population of less than 20 thousand.
  - Meets the qualifications of a sole community hospital under §42 CFR 412.92(a); or met the qualifications of a sole community hospital as of June 30, 2005 and subsequently converted to critical access hospital status.

- Out of the 49 rural hospitals, 27 are Critical Access Hospitals (CAH). A CAH is a hospital that is certified to receive cost-based reimbursement from Medicare. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures.

- Out of the 49 rural hospitals, four are Sole Community Hospital (SCH), and one other hospital that currently in not included in the Rural Hospital Preservation Act is also a SCH. A SCH is either: 1) more than 50 miles from any similar hospital; 2) the exclusive provider of services to at least 75 percent of its service area population; or 3) has been designated as an SCH under previous rules.

- Hospital-owned Rural Health Clinics provide timely and efficient care not otherwise readily available in many areas to adults and children that might improperly utilize the hospital’s emergency department. It is far more efficient to deliver primary care and preventive services in the clinic setting versus the emergency department.

Rural residents are less likely to have employer-provided healthcare coverage and are less likely to be covered by other forms of insurance than their urban counterparts. This is one of the reasons why our rural hospitals struggle and rely on the state to provide adequate support through the Rural Hospital Preservation Act.

-Rebecca Bradley, LHA Director of Rural Health Programs
VIII. Healthy Communities Need Healthy Hospitals

The economic recession gripping this state calls for immediate and decisive legislative action. The ripple effect of the financial market crisis, the subsequent rise in unemployment and the loss of job-based healthcare coverage have impacted the ability of hospitals to continue to serve their communities. This pressure, coupled with other payment pressures, is leading to a decline in hospitals’ financial health at a time when the demand for healthcare services is growing.

Support:

- Budget reform, including a constitutional amendment that would allow the governor to cut dedicated funds by up to 10 percent to balance the state’s operating budget during tough economic times.
- The modernization of hospital Medicaid reimbursement systems to more closely align rates and costs of providing services by increasing the baseline reimbursement levels, as well as inflationary increases to reduce cost-shifting to private insurance plans and businesses.
- The adjustment of the Uncompensated Care (UCC) formula to standardize qualifications and payments to community hospitals for services to the uninsured and make supplemental Medicaid payments for hurricane recovery.
- Continued funding of the Rural Hospital Preservation Act, the Community Hospital Uncompensated Care (UCC) Pool and the private hospital high Medicaid pool.
- Legislation that would include the hospital, its owner, the hospital administrative personnel and hospital professional staff from civil liability for their acts or omissions during a declared emergency, except in cases of gross negligence or willful or wanton misconduct.
- The protection of funding for nursing, allied health and graduate medical education to meet the demands of the industry, along with secondary career and technical education programs.
- Legislation that would create a more consumer-friendly health insurance transaction.
- Legislation that would mandate the adoption of a fair hospital reimbursement schedule, which has not been updated since 1991. Protect the rights of providers to be given notice of attempts to access managed care contracts and PPOs by Workers’ Comp payors.
- The protection of the Medical Malpractice Act and give thoughtful consideration to sustainable affordable changes that would increase the likelihood of long term favorable constitutional decisions by the Louisiana courts.

Oppose:

- Legislation that would reduce taxes, thus decreasing the State General Fund and federal matching funds that support vital healthcare services to Medicaid and uninsured patients.