

Testimony

Ohio House Finance, Health and Human Services Subcommittee

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Chairman Romanchuk, Ranking Member Sykes, and members of the House Finance, Health and Human Services Subcommittee, thank you for the opportunity to testify on the Executive Budget.

Premier Health is the largest health care system in southwest Ohio, serving city, suburban and rural communities, and includes Miami Valley and Good Samaritan hospitals in Dayton; Upper Valley Medical Center in Troy and Atrium Medical Center in Middletown. We employ more than 14,000 individuals, 400 physicians and have a medical staff of more than 2,600 physicians. We operate the only Level One Trauma Center and Burn Center in the Greater Dayton region. Our mission is to build healthier communities for our citizens and we are guided by a distinguished, locally- based, and engaged board of trustees.

As is true of organizations like ours across the state, we take care of everyone who walks through our doors, due to our mission. We are committed to ensuring high quality, cost-competitive healthcare services for the patients in our eight primary counties, and many other counties that we serve through our CareFlight Air and Mobile Service.

Important to this discussion, we are the third largest Medicaid inpatient provider in the state and unlike other major cities in Ohio, Dayton has no publicly funded hospital or university operated facility. Therefore, our two Dayton- based hospitals serve the clear majority, approximately 75%, of the Medicaid and uncompensated care population. The budget that has been presented to you poses many challenges for us to fulfill our mission to our patients and to the community-at-large.

We understand there are serious challenges facing the state as it approaches the SFY 2018-2019 budget. To that end, we have worked diligently to expand our primary care network to care for our citizens, using a population health model that can increase quality and reduce costs.

As all of you know, our industry is experiencing unprecedented changes that affect individuals and the entire community. A system as large as Premier can navigate many changes in the health care industry and our network of hospitals have done a great deal to reduce costs and increase the quality of health care that we provide. Since 2012, we've worked to bend the cost curve by reducing our costs by \$300 million through delivery efficiencies, reductions in force, as well as significant supplier savings. Clearly, hospitals have been and are more than willing to be a strong partner for the state in reducing the cost of health care.

Significant work has been done at Premier to embrace a value based system. Most recently, the Premier Health ACO of Ohio has been selected to participate in the Centers of Medicare and Medicaid Services' innovative accountable care organization model. The goal of the model,

known as the Next Generation ACO Model, is to improve health outcomes and lower costs for traditional Medicare patients.

The budget bill takes an important step by continuing health care coverage for low income Ohioans. We can see and take to heart the unsettled nature of the discussion in Washington DC and here in Columbus, but we must make decisions based on the information that we have today. Health care coverage is important for Ohioans so they can have access to vital services that will allow them to stabilize their health and move off Medicaid. We also want to make sure that any additional responsibilities added to coverage protect Ohio's most vulnerable citizens.

The significant changes in this state budget, coupled with the uncertainty of the federal government are going to have a negative impact on the services that we provide to the citizens of the Greater Dayton area. If the budget is passed without any changes, Premier will receive a minimum cut of four percent and could be greater depending on regulations implemented by the Ohio Department of Medicaid.

Additionally, federal funds for disproportionate share hospitals that were cut as a part of the ACA combined with the proposed State reductions would leave Premier to be worse off financially than before expansion. Thus, we would have to seriously look at renegotiating our contracts with Medicaid Managed Care providers to demand higher payments to compensate for these losses or reduce services to the Medicaid population.

What can the Legislature do in this budget?

The first step is the removal of harmful language that shifts the delicate balance in contracting between hospitals and Medicaid Managed Care Plans. This is particularly distressing as 100 percent of Ohio hospitals have contracts with companies providing these plans, with 96 percent of all possible hospital/managed care contracts in place.

Contract negotiations with the Medicaid Managed Care plans, just like between any two private independent entities are challenging. Currently, both sides have some leverage in the negotiation process. In fact, the current process produced a profit for the Medicaid Managed Care plans of over \$476 million in fiscal year 2015. The proposed non-contracting language gives Medicaid managed care plans leverage to refuse contracts with willing providers. Without the ability to negotiate contracts, hospitals would be compelled to accept much lower fees from Medicaid Managed Care companies and provide these same companies with even greater profits.

This will impact, not only payment rates, but also quality programs, approval procedures and other important functions that need to continue to assure that patients receive the care they need and hospitals are provided appropriate reimbursement.

As stated earlier, continued health care coverage for low income Ohioans is important. We deliver care to these patients each and every day. The citizens of our communities are among the more than 700,000 Ohioans who now have coverage through Medicaid expansion.

I urge you to reduce the impact of across the board cuts. Hospitals have worked diligently with the administration to control the growth of the Medicaid costs. Our quality programs have resulted in healthier citizens. Ohio should continue as a national leader in reform that rewards quality and performance. Significant cuts to reimbursement will impair the ability of hospitals to invest in such programs and have the potential to undo the progress we have made.

Again, I thank you for the opportunity to testify before this committee. I will be happy to answer any questions that you may have.