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Testimony

Ohio House Finance, Health and Human Services Sub-committee

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Ray Chorey
President and Chief Executive Officer, Southeastern Ohio Regional Medical Center

Chairman Romanchuk, ranking member Sykes and members of the House Finance, Health and Human Services Subcommittee, my name is Ray Chorey and I serve as the President and CEO of Southeastern Ohio Regional Medical Center in Cambridge, Ohio. I serve on the Board of Trustees at the Ohio Hospital Association and have served as a past chair of the OHA Small and Rural Committee. I appreciate the opportunity to testify on the Executive Budget.

I would like to share a little of my personal, hospital and community background. I was in the financial services industry for thirty years the last twenty as a Senior Vice President and Regional President in Eastern Ohio for BancOhio/National City Corporation. During that time I served on the board of Southeastern Med for fourteen years including two stints as chair before joining the hospital as Chief Operating Officer in May of 2004. I have served as President and CEO since May of 2007.

Southeastern Med is a 98 bed acute care sole community hospital located in Cambridge, Ohio. We are located 86 miles from where we sit today. We provide care for Guernsey County and portions of 5 surrounding counties– approximately 100,000 people. The county has 40,000 people of which a little over 12,000 or 30 percent participate in the Medicaid program.

Southeastern Med has a rich history of delivering high quality, patient safe, affordable care and our physicians, associates and community partners work collaboratively to provide the best possible care close to home with the compassion, dignity and respect that everyone deserves. Specifically, our Board, Administration and Physician leadership identified a growing need for cardiology, vascular, cancer, orthopedic and neurosciences in our community and has entered into an alliance with OhioHealth effective January 1, 2017 to work collaboratively to expand and keep these services local.

Southeastern Med
Your Community Hospital

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The role of Southeastern Med, and of all small and rural hospitals in Ohio, is not simply treating illness. We are the largest employers in our county and play a major role in strengthening the community. We do this by providing stable jobs and addressing social problems such as opiate addiction. We are active participants, with others in the community, who are committed to assessing and responding to the needs of our community. All not for profit hospitals are charged with completing a Community Needs Assessment every three years. The local hospital Board of Trustees is charged with approving action plans and holding leadership accountable to address the top needs identified. Community hospitals do this in collaboration with our county health departments, schools, United Way agencies and other business and social services groups.

As part of our responsibilities under the Affordable Care Act, Southeastern Med promotes prevention and early detection of health problems to ensure that all members of our community receive the care they deserve. This includes improving access to our health care services by offering free or low cost blood, breast, skin cancer and lung cancer screenings; enhancing the health of our community through preventative health education by conducting free diabetes classes, nutrition classes in our schools, and opiate education for adults and youth. We provide charity care for the uninsured, the underinsured and those with limited financial means assuming the unreimbursed cost of caring for our Medicare and Medicaid patients who comprise 65% of our revenue.

The budget proposal that is before you has a significant impact on Southeastern Med and other community hospitals in eastern Ohio. This budget includes cuts totaling $588 million to all hospitals over the biennium. That amounts to almost $3,500,000 for Southeastern Med.

Cuts to reimbursement for hospitals that are included in this budget will have unintended consequences to the communities you represent. These cuts will accelerate a trend that has been occurring over the past ten years. In 2003 there were 86 independent community hospitals in Ohio. By 2014 that number had declined to 40. By April of 2015 that number was 30. Today I believe that number is 25 or less. In Eastern Ohio one hospital filed for bankruptcy and was sold during 2016, another was sold in February of 2017, and a third has issued a Request for Proposal to be purchased.

The Ohio Hospital Association has shared with you that as of yearend 2015 35 hospitals had operating margins less than 0%; 14 had operating margins of 0% - 2%; 23 had operating margins of 2%-5%. 72 hospitals as of yearend 2015 had insufficient operating margins to generate the cash flow to meet

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increasing bad debt due to increasing deductibles, plus make the mandated investments in IT technology and clinical technology that are required today. Needless to say there will be limited funds if any to address programs that have been a priority of the General Assembly. Those programs addressing such issues as opiates, infant mortality, and mental health are very expensive. The ability to provide these services will be in jeopardy let alone the need to expand these programs to address growing problems.

At the March meeting of the OHA Board I had the privilege of participating with my fellow trustees in a general conversation with Greg Moody and Barbara Sears about the proposed budget and the consequences of the proposed cuts. It was clear from the comments shared by my fellow trustees that cuts of the proposed magnitude will force hospitals to shut down service lines. Obstetrics and behavioral health were the two most expensive service lines for the majority of the hospitals represented in the room. It would be extremely difficult, I will state nigh on impossible for Southeastern Med to nickel and dime the proposed cuts for Southeastern Med. A cut of this magnitude will involve a service line. At Southeastern Med that service line could be obstetrics. We deliver 450 to 500 babies a year and a shocking 1 in 8 are born to drug addicted mothers. 70% of those births are to mothers who qualify for Medicaid. Those mothers would need to travel as far as 60 miles, many on country roads, to reach another childbirth center. Transportation is a problem for these mothers. We lose about $2,000,000 dollars a year offering this service line. We know that infant mortality and drug addiction/behavioral health are three of the most pressing issues in our state and we commend all the efforts underway to address these crises. However, it is critical for this committee to know that the proposed state cuts, in addition to the current 6% Medicare cuts hospitals are operating, under will seriously threaten our ability to continue to provide the basic services we deliver today. There should be no expectation of hospitals to make needed progress on the priorities set by the General Assembly.

I see myself as a leader, a CEO, a business executive who happens to be responsible for a community health care system. My leadership team and I manage our hospital as a community owned business. For the past seven years I have published a yearend annual report. Healthcare is a service industry the same as the financial services industry. Both service industries require significant capital and benefit the community best when local governance assumes the fiduciary responsibilities of meeting local needs. My experience tells me that the significant cuts proposed in this biennium budget, along with the cuts we have experienced under the Affordable Care Act will result in bankruptcies, mergers and acquisitions. Whether the cuts are directly monetary in nature or as an additional outcome from intrusion in the commerce of

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business such as with the continued conversation regarding non-contracting language, local healthcare will suffer. Therefore the economic and social health and welfare of our communities will suffer too. Visit the small communities you represent today. Today our local communities miss the presence of strong local community banks that addressed the financial needs of the rich and the poor, individuals, families and businesses – the same group served by community hospitals. Community leadership in addressing social and economic needs was once the priority and expectation of the financial services industry. Today that responsibility lies with our local community hospitals. Community hospitals in your communities are not only responsible for the healthcare needs but the social and economic needs. Today the social and economic fabric of many rural communities is frayed – held together primarily by community hospitals. The cuts in the proposed budget will result in the unexpected consequences of an inability to meet what the General Assembly and our citizens expect of their healthcare providers. Today you hold our outcomes in your hands.

Mr. Chairman I appreciate the opportunity to testify before the subcommittee this evening. I will be happy to answer any questions you or others on the committee may have after others have presented.