

**Ohio Hospital Association
Proponent Testimony
Amended Substitute House Bill 96
Ohio Senate Medicaid Committee
May 15, 2025**

Chairman Romanchuk, Vice Chair Huffman, Ranking Member Liston and members of the Senate Medicaid Committee, thank you for the opportunity to provide proponent testimony on behalf of the Ohio Hospital Association (OHA) on Amended Substitute House Bill 96—the state operating budget.

The Ohio Hospital Association Board of Trustees is in **unanimous and unequivocal support** of the hospital franchise fee proposal included in Am. Sub. HB 96.

Before I continue, please picture a local hospital – a hospital where you would go if you felt chest pains at home. Where you would go to visit your friend after an accident. The hospital where your child was born. Or a hospital where your child was taken to battle a serious illness.

For many Ohioans, the local hospital they are picturing operated at a loss in 2024. In fact, the generational economic challenges facing our hospitals have culminated in more than **50% of Ohio hospitals (and 72% of rural hospitals) reporting negative operating margins** over the past few years. The median hospital operating margin was 0.0% in 2024, -0.7% in 2023 and -2.8% in 2022. The reasons for this poor economic performance are due to factors largely outside our members' control. For example:

- Hospitals cannot dictate prices to Medicare or Medicaid. They receive payments based on rates set by government entities. On average, 17% of patients treated by Ohio hospitals are Medicaid patients and 49% are Medicare patients, which means reimbursement for a large proportion of care provided in Ohio hospitals is set at rates below the cost of providing those services.
- Hospitals cannot control what it costs to protect electronic medical records from cyberattacks or purchase IV fluid after a natural disaster.
- Hospital labor increases in 2023 alone were more than 10%.
- Drug prices incurred by hospitals have increased dramatically, with one recent study showing that prices for nearly 2,000 drugs had an average increase of 15.2% from 2022 to 2023. Additionally, in 2023 there was an average of more than 300 drugs in shortage at any one time, further increasing costs to hospitals trying to navigate those shortages.
- The hospital workforce was upended by the pandemic. To keep beds open and accessible to our communities, hospitals throughout Ohio have been forced to utilize contract labor at unprecedented levels. This shift has been devastating for hospital finances:
 - In 2019, Ohio hospitals spent \$280 million collectively on contract labor. In the five years since then, Ohio hospitals have spent nearly \$6 billion on contract labor – equivalent to more

than 21 years' worth of pre-pandemic spending – to sustain operations and keep inpatient beds open and available to the public. Though the reliance on contract labor has started to come down, it remains well above pre-pandemic levels and continues to strain hospitals' budgets in service to their communities. This is especially true for rural hospitals, where the workforce pool is smaller, and it is more difficult to recruit staff.

- As a result of the continuing economic pressures, credit rating agencies have a generally bleak outlook for the hospital community in recent years with downgrades outpacing credit ratings or upgrades by almost 2:1.

OHA's mission is to collaborate with member hospitals and health systems to ensure Ohioans have access to high-quality hospital care in their communities. Am. Sub. HB 96 makes positive strides toward achieving this mission at a time when many communities throughout Ohio (both rural and urban) have experienced reduced access to hospital care. Since 2017, 11 acute care hospitals have closed and 26 hospitals have shuttered or consolidated obstetric units, forcing many families to travel long distances for prenatal care or to deliver their baby. The difficult decisions to close a hospital or cut an important service line are made for a variety of reasons, including quality of care considerations and because the economics of the healthcare system simply do not work.

Unfortunately, without the approval of the hospital franchise fee as proposed by Governor DeWine and passed by the Ohio House, the threat to many hospitals' viability will not dissipate anytime soon and in fact will worsen significantly. Due to these unrelenting economic pressures on hospitals, OHA urges the Ohio Senate to maintain the critical hospital franchise fee – which requires no investment of GRF – to provide a critical lifeline for hospitals.

Approximately, three million Ohioans (25% of the population) depend on Medicaid coverage to see their doctor or go to their local hospital. When looking at the future of Ohio, 1.3 million children (43% of Ohio kids) are covered by Medicaid. Federal provider tax programs such as those on nursing homes, hospitals and health plans are used in 49 states and represent a fiscally responsible way for states to finance healthcare without direct use of state dollars. By leveraging the federal match using taxes on providers, states can reduce the level of GRF needed to support the program.

The value of the hospital franchise fee goes well beyond supporting many non-hospital elements of the Medicaid program. State taxpayers enjoy a significant financial benefit that is used to fund numerous state priorities. **Based on the current version of the budget, the state would capture \$1.75 billion in non-GRF funding from the hospital franchise fee. These savings are used to fund priorities of the governor and general assembly. This program is a clear win/win for the state, Ohio taxpayers, and Ohio hospitals.**

Another key priority for Governor DeWine has been the stabilization of rural healthcare in Ohio. According to a recent national study by [Chartis](#), **up to 20% of Ohio's rural hospitals are at imminent risk of closure.** The proposal to address rural and critical access hospital reimbursements by Medicaid will provide much needed support to many rural hospitals in distress (again, funded by the franchise fee, not GRF funds).

The budget protects the financial stability of rural hospitals, ensuring that every Ohioan—no matter where they live—can receive life-saving treatment when they need it most. It also strengthens hospitals' ability to

address the workforce crisis, growing the pipeline for the next generation of doctors, nurses, and healthcare professionals who will continue to serve our communities with excellence.

Despite challenges and uncertainty at the federal level, we strongly urge the Ohio Senate to support Governor DeWine's proposed changes to the hospital franchise fee. We are monitoring developments and working closely with our partners to determine the impact and appropriate next steps should a course correction be necessary.

In conclusion, this budget is a win for Ohio's taxpayers and families, a win for our economy, and a win for the core principles we all hold dear. By supporting Am. Sub. HB 96, we are investing in a stronger, safer, and more self-reliant Ohio.

Thank you for your time and commitment to our great state. We urge you to support this responsible, forward-thinking budget proposal and continue to stand with Ohio's hospitals as we work together to build a healthier, more prosperous future. We appreciate your consideration and welcome your questions.