

## Testimony

### Ohio Senate Finance Committee

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Chairman Oelslager, Ranking Member Skindell and members of the Senate Finance Committee, my name is Ray Chorey and I am the President and CEO of Southeastern Ohio Regional Medical Center in Cambridge, Ohio. I also serve on the Board of Trustees at the Ohio Hospital Association and have served as past chair of the OHA Small and Rural Committee. Thank you for the opportunity to testify on HB 49, the state budget.

I would first like to give you some background on my hospital and our community. At Southeastern Med, our role is not simply to treat illness but also to strengthen the community. Cambridge is a community of about 13,000 people in the foothills of the Appalachian region of Ohio. Southeastern Med is an independent small, rural hospital with a rich tradition of delivering quality services with a special focus on the safety of our patients. Our physicians and associates work hard to provide the best possible health care with the compassion, dignity and respect that patients deserve. Southeastern Med provides some of the most cutting-edge medical treatments available in southeastern Ohio. It takes significant planning, and collaboration to be able to provide high quality, needed healthcare to our region of the state.

There are many provisions in the House-passed version of the budget bill that impact Ohio hospitals. To respect the limited time I have before you, I will focus my testimony on hospital finances.

### Hospital Finances

It is important to stress that the current health care funding structure in Ohio is unsustainable. Uncertainty with the Affordable Care Act and significant reimbursement cuts in Washington DC amid the backdrop of a rapidly evolving care delivery system have put significant pressure on hospitals. As was stated in subcommittee, even with the state's expansion of coverage through Medicaid, **sixteen percent of Ohio hospitals currently operate at or below a zero percent operating margin and nearly a quarter of Ohio hospitals are operating below a two percent margin.**

Let me share this stark statistic another way – in 2003 there were 86 independent Ohio Community hospitals; in 2014 this number was 40; by April of 2015 the number was 30. Today this is probably less than 25. In southeastern Ohio within the past year Coshocton Memorial filed for bankruptcy, Union Hospital Dover is in negotiations to complete a sale, Eastern Ohio Hospital in Martins Ferry was sold; Twin City Hospital Dennison was sold, Harrison Community Hospital in Cadiz was sold. Since 2010 1 in 8 hospitals in Ohio joined or were in the process of joining another hospital system. Policy decisions made by the General Assembly and signed into law by the Governor will significantly impact hospitals' ability to continue to provide needed, quality care to patients, particularly in our community.

Hospital funding has been a focal point for appropriation reductions ever since Medicaid coverage was expanded to low-income individuals in Ohio. These reductions have totaled hundreds of millions of dollars each biennium over the last three budget cycles. While hospitals appreciate the need to control the growth of the Medicaid budget, we also want to assure that hospitals have the resources available to care for patients throughout the state.

The Administration's budget proposed a reduction of \$578 million for SFY 18-19 from their projections for the growth of the program. The House version of the budget further reduced hospital appropriations by an additional \$300 million over the biennium.

At a recent OHA Board meeting, each Board member was asked to discuss the implications of significant cuts on their ability to provide services. It was clear that cuts, as outlined in the introduced version of the budget bill, will force hospitals to shut down service lines. Obstetrics and behavioral health are the two costliest service lines for most of the hospital representatives in the room. At Southeastern Med, we deliver between 400 and 500 babies per year, 70 percent of which are to mothers who qualify for Medicaid. A shocking 1 in 8 are born to drug addicted mothers. We know that infant mortality and drug addiction are two of the most pressing issues in our state and we commend all the efforts underway to address these terrible crises. However, it is critical for this committee to know that proposed cuts to hospitals seriously threaten our ability to make needed progress on these priorities.

To control this growth, the House placed a cap on spending for hospital services. This cap, along with a freeze in hospitals rates, would limit the growth of the program while providing stability to providers. It would also allow the state to implement cuts should payments begin to reach this cap. Hospitals have been discussing this with member of the Caucus staff, the Administration, as well as many of you and your staff. We ask that you continue to work very closely with the Ohio Hospital Association, should you need to make changes to the hospital financing structure in the state budget, to make sure that the changes that you make to the budget have the desired policy implications. Today the social and economic fabric of the communities served by Ohio hospitals is frayed – held together by the economic, social and health services Ohio's hospitals provide.

I also want to briefly touch on healthcare price transparency. Hospitals continue to be concerned that the current law is unworkable. We will continue our diligent work with the General Assembly to reach an outcome that can be implemented by healthcare providers and will deliver meaningful price information to patients.

Again, Mr. Chairman, I appreciate the opportunity to testify before the subcommittee this evening. After others have presented, I am happy to answer any questions you may have.