To: Members of the Michigan Senate Appropriations Subcommittee on Health and Human Services

From: Andrea Leslie, president, Spectrum Health United Hospital and Spectrum Health Kelsey Hospital

Date: Mar. 13, 2018

Re: FY 2019 Health and Human Services budget

I serve as the president for two hospitals in the Spectrum Health system, both in Montcalm County: Spectrum Health United Hospital in Greenville and Spectrum Health Kelsey Hospital in Lakeview. Kelsey is a critical access hospital with 16 inpatient beds, and United is one of the relatively few small rural hospitals still doing maternity services.

For several years, the Michigan Legislature has funded a special pool of money for small and rural hospitals. More recently, you added a second pool for small and rural hospitals that are still doing labor and delivery services. Together these special funding sources have made a dramatic difference in the sustainability of small and rural hospitals in Michigan. On behalf of all of the hospitals in Michigan that are part of these two programs, thank you for this ongoing support.

Unfortunately, due to the requirements of the federal Medicaid Managed Care rule and the adjustment that was necessary to some of our payments, these traditional pool payments cannot continue as they have in the past and must be redesigned. The changes needed are detailed and nuanced, but in short, to direct payments to our small and rural hospitals, including those payments for labor and delivery services, the state is limited to using general funds (GF).

In fiscal year (FY) 2018, roughly $14 million GF was left unmatched. After working with the State Budget Office, another $7 million GF was added for FY 2018. The Governor's executive budget recommendation extends all of this into FY 2019. On behalf of the small/rural hospital community I am representing today, we are asking you to add $3 million in FYs 2018 and 2019. This would not entirely offset the adjustment to the pool payments because of the federal rule change. However, when combined with the growth in provider tax payments, it will come close to keeping small and rural hospitals at the FY 2017 payment levels.

As I mentioned earlier, one of my hospitals does labor and delivery services. We serve not only Montcalm County, but regularly serve moms and babies from Kent, Ionia and Mecosta counties. If United were to drop labor and delivery services, that's a crisis for our community. In addition to our labor and delivery service line, we also offer the Maternal and Infant Health Program (MIHP). This is a Medicaid-funded program designed to help high-risk pregnant women have healthy birth outcomes and reduce infant mortality. But the shortfall between what this program costs and what Medicaid pays was $120,000 last year. Our annual hospital gala dedicated its fundraising to this program to make up the difference. This is the type of service that we so desperately need in our community, but would be at risk if we don't retain sustainable funding.

On behalf of all of the hospitals in Michigan who are members of the Michigan Health & Hospital Association, I assure you we are fully aware of the challenges facing Michigan with regard to limited state resources, the need for road funding, the desperate problem we have with opioid addiction, the challenge of water contamination, and Michigan's effort to stay economically competitive by growing and keeping our talented young people and workforce. However, without the sustainable funding that the small/rural pool brings to places like United and Kelsey, we can't do the kind of work that improves the health of our community and ensures access to care, which is the fundamental reason our healthcare costs will eventually decline. Please do what you can to complete our funding for FYs 2018 and 2019 by incorporating the last $3 million into our line item for each year.

If you have any additional questions about this request, please contact Chris Mitchell at the MHA at cmitchell@mha.org or (517) 703-8622.