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To: Senator Jim Marleau, Chairman
Senate Appropriations Subcommittee on Community Health
Members, Senate Appropriations Subcommittee on Community Health

From: Dave Finkbeiner, Senior Vice President, Advocacy
Laura Appel, Senior Vice President, Strategic Initiatives

Date: March 3, 2015

Re: Fiscal Year 2016 Community Health Budget

Thank you for the opportunity to speak to the Committee today on the critical issue of funding healthcare for the Michigan citizens. On behalf of our members, the MHA requests that the Subcommittee reject the proposed state disinvestment of state general fund support for Graduate Medical Education, a pool of money to assist small and rural hospitals, and an even smaller pool to help small hospitals that still provide access to labor and delivery services. Each of these funds is a key priority for the MHA Board of Trustees. These funds are crucial to providing healthcare in Michigan. Our board was surprised and disappointed to learn that all medical education, access to care for pregnant women and preserving rural access to care were the target of spending cuts.

You may have heard that using the Quality Assurance Assessment Program to replace general funds is a simple and easy fix. The QAAP became a necessary evil in 2002 when Medicaid enrollment was dramatically outpacing general fund growth. The QAAP became even more necessary during the Great Recession when state general funds declined. Over the course of 10 years, nearly 1 million additional people became eligible for Medicaid; not because Michigan expanded coverage, but because those people suffered job loss and financial difficulties. Michigan was able to absorb the new enrollment because of provider taxes. Hospitals, along with our nursing home and HMO partners, have been the solution to inadequate general funds to keep people covered. We appreciate that the executive budget proposal attempts to continue GME and small/rural programs, but we can't accept a 14 percent tax increase when there are other options.

Under federal law regarding provider taxes, all hospitals must be taxed. Under the executive recommendation, all hospitals would pay a much higher tax and only the teaching hospitals will receive the benefit. The majority of hospitals will pay more in taxes than they

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receive in benefit because they are not teaching hospitals. The provider tax solution may seem simple, but it is not easy and it is not fair when the tax is broad and the benefit is narrow.

I ask you to reject the proposal to increase taxes on hospitals and instead raise the priority of supporting existing healthcare programs. Beginning in fiscal year 2011, GME and small rural funding have been reduced or eliminated in the executive budget. Members of this committee and members of the full Senate have rejected those proposals. For that, we are grateful and we ask you to do the same for fiscal year 2016.

Most of you were also here when the Health Insurance Claims Assessment (HICA) first became law. The proposed budget hinges on the Legislature increasing the HICA from .75 percent to 1.3 percent. If that solution fails, the state budget is still facing a \$180 million general fund deficit, even if hospitals agree to the 14 percent tax increase.

For nearly 30 years, lawmakers, governors and department directors have invested state funds, matched with federal dollars, in on-the-job training for physicians. Thousands of physicians working in Michigan today were trained with resources from that GME investment.

The Department of Community Health serves two million seniors, more than a million children and 350,000 disabled adults. It would not be possible for the department to deliver these services without large hospitals and small, without urban and rural. We are your partner. We are dedicated to serving everyone who needs care. Hospitals and healthcare systems cannot keep this commitment if the state continues to reduce its commitment to us and the patients we serve. That said, the MHA remains a fully committed partner on the Healthy Michigan Plan. Expanding coverage through the Healthy Michigan Plan was and is a priority for our Board of Trustees.

In closing, we urge you to **reject** the misinformation that the Healthy Michigan Plan has been a windfall for hospitals. I urge you to **reject** a budget that eliminates all state funding for GME, the Small and Rural Hospital pool and the OB Access pool. I strongly urge you to **reinstate** these pools to at least the same amount of general fund dollars that were allocated to them before they were cut this year by the recent Executive Order.

Thank you for your time and consideration. Please don't hesitate to contact the MHA if you have any questions.