MHA Michigan Health & Hospital Association

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To: House Appropriations Subcommittee on Health and Human Services

From: Dave Finkbeiner, Senior Vice President, Advocacy

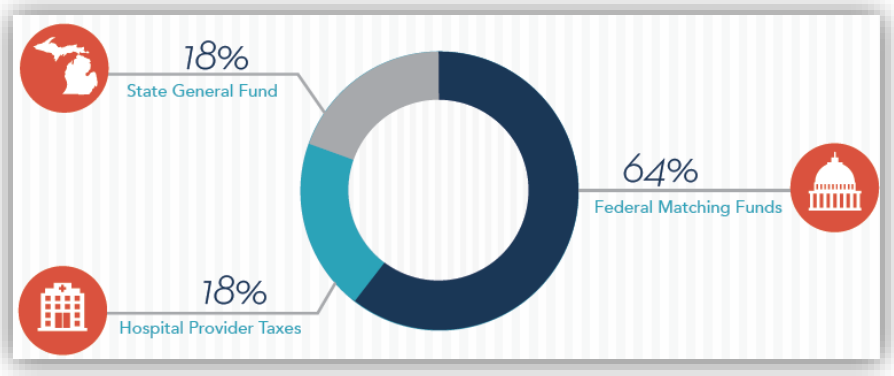
Date: February 29, 2016

Re: Fiscal Year 2017 Executive Budget Recommendation

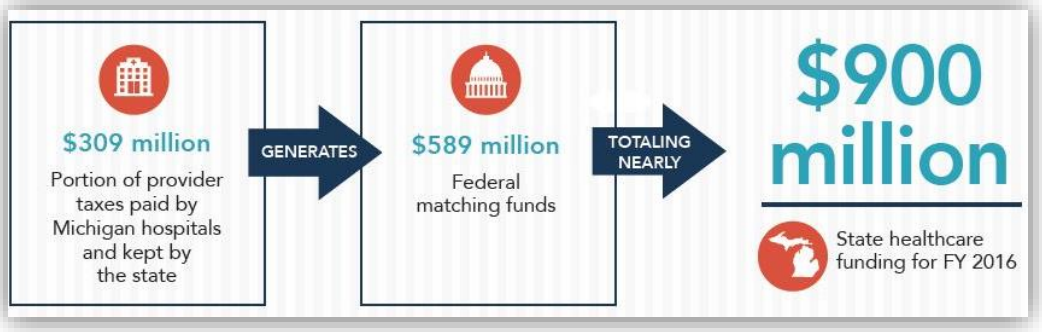
Thank you for the opportunity to submit comments on the fiscal year (FY) 2017 health and human services budget. The MHA asks the subcommittee to support Governor Snyder's executive budget recommendation for hospital Medicaid funding. The executive budget recommendation protects Medicaid payment rates, funds the Healthy Michigan Plan, funds important new pharmaceutical therapies, and preserves three important payment pools for graduate medical education, small and rural hospitals and the stabilization fund for small hospital labor and delivery services.

Funding for Michigan Hospital Medicaid Programs

The executive budget recommendation reflects Michigan's long-term funding strategy of using provider taxes to legally maximize federal dollars for healthcare. Michigan lacks sufficient general funds to pull down its full entitlement of federal funding for Medicaid. Instead of raising income or corporate taxes, Michigan hospitals are taxed to support both hospital Medicaid reimbursement and state health programs overall.



For FY 2016, Michigan hospitals paid $309 million of its quality assurance assessment (also known as the provider tax) directly to the state. Along with federal matching funds, this provides nearly $900 million to help fund Michigan's Medicaid program and other state healthcare needs. In FY 2017, Michigan hospitals propose to pay approximately $321 million for the same purpose. With the federal match, the hospital effort will provide over $920 million for Michigan healthcare.



Brian Peters
Chief Executive Officer

Funding Graduate Medical Education (GME)

The executive budget recommendation continues GME funding at the FY 2016 level. This investment helps grow the number of physicians practicing in Michigan, as nearly 50 percent of physician residents remain in state after completing their on the job training. GME also helps fund salaries and benefits for 7,200 doctors who care for patients in teaching hospitals every day.

Funding for Small and Rural Hospitals

Two other significant funding pools are included in the FY 2017 executive budget recommendation: a $34 mil ($12 mil GF) small and rural hospital access pool and an $11.8 mil ($3.4 mil GF) obstetrics (OB) stabilization fund for small hospitals providing labor and delivery services.

Almost half of Michigan's hospitals are considered small and rural, and they serve an important role in bringing high-quality care and services to people throughout the state. Many rural hospitals are residents' only resource for physical therapy, dialysis, outpatient surgeries, community health services, emergency services, laboratory testing and imaging services. Since rural hospitals are often the sole site for patient care in the community, they are likely to offer services like hospice, home health, skilled nursing, adult day care and assisted living. Because of their size, high fixed costs due to low volumes, modest assets and financial reserves, small and rural hospitals disproportionately rely on government payments. The small and rural access pool helps more than 60 Michigan hospitals stay open and serve their communities.

Labor and Delivery Services

More than 16,000 babies were born in Michigan's small and rural hospitals during 2013 (the latest figures available). Expectant parents rely on their nearby community hospitals to safely deliver their children and meet their healthcare needs. These hospitals are often the primary resource for mothers who need extra assistance due to existing health behaviors or problems related to postpartum challenges. The OB stabilization fund protects this service line in hospitals throughout rural Michigan. Since this separate pool was created in FY 2014, no small or rural hospital has stopped labor and delivery services.