

Approved On: 2/23/87

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on February 20, 1987 in room 519 South at the Capitol of the State of Kansas.

The following members were absent (excused):

Representatives Gatlin, Crowell, Adam, Wunsch, Vancrum, Charlton

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

HB-2188 AN ACT relating to counties; concerning tax levies in support of hospitals, was explained by Representative Shore. He said that rural hospitals are in financial jeopardy and need an increase in the mill level. (Attachment 1) David James, representing Stanton County Health Care Facility, provided tables illustrating the decrease in hospital income and increase in costs from 1980 through 1986. (Attachment 2) Roger John, Area Director for Great Plains Health Alliance, said that in spite of reducing expenditures to the bone, it has not offset the loss in revenues from declining admission rates. (Attachment 3) Mr. James and Mr. John answered questions from committee members and this concluded the public hearing on HB-2188.

Representative Rolfs explained HB-2002 - AN ACT relating to property taxation; concerning certain hospital property exempt therefrom. Representative Leach moved, second by Representative Aylward, that lines 51 through 54 on page 2 of the bill be struck. The motion carried.

Representative Wagnon moved, second by Representative Branson, that HB-2002 be passed as amended. The motion carried.

There was discussion on HB-2080 - AN ACT concerning the financing of county courthouse, jail or law enforcement center facilities. Representative Fox moved, second by Representative Spaniol, that the bill be localized to Montgomery County. Motion carried. Representative Smith moved, second by Representative Aylward, that the bill be recommended favorably as amended. Representative Leach moved, second by Representative Reardon that counties be authorized to exceed the 1% local option limitation. After considerable discussion, the chairman announced the committee would defer further action on the bill until the next meeting.

The minutes of the February 19 meeting were approved.

There being no further business to come before the committee, the meeting was adjourned.



E. C. Rolfs, Chairman

Eugene L. Shore

TAXATION COMMITTEE: Testimony for February 20, 1987

Proponent for HB 2188.

HB 2188 PROVIDES THAT THE MILL LEVY FOR RURAL HOSPITALS MAY BE AS MUCH AS 6 MILLS WITHOUT AN ELECTION. THE CURRENT LIMIT IS 2 MILLS. THERE IS LITTLE DOUBT OUR RURAL HOSPITALS ARE INCREASINGLY IN FINANCIAL JEOPARDY BECAUSE OF LOW USAGE AND SHORTER STAYS. IN MANY INSTANCES OUR SMALL RURAL HOSPITALS SERVE AS A FIRST AID STATION FOR A PERSON WITH A SERIOUS ILLNESS, AS WELL AS A CONVALESCENCE CENTER IN A HOME TOWN SETTING. THUS, OUR SMALL RURAL HOSPITALS ARE COLLECTING PAYMENTS FOR EMERGENCY CARE OR FOR RESIDENTS OF LONG TERM CARE UNITS WHILE THE LARGER HOSPITALS COLLECT THE LION'S SHARE OF THE PROCEEDS FOR HOSPITAL STAYS.

IN TODAY'S ENVIRONMENT OF COST EFFECTIVENESS, LOGIC WOULD SAY "CLOSE THE SMALL HOSPITAL AND CONCENTRATE THE MONEY IN LARGER MORE COST EFFECTIVE HOSPITALS." IN REALITY, RURAL COMMUNITIES SEE THE NEED FOR THEIR HOSPITALS AND ARE WILLING TO PAY THE EXTRA COST OF MAINTAINING A HOSPITAL. I'LL GIVE YOU TWO REASONS WHY THIS IS TRUE. IF A PERSON HAS A HEART ATTACK OR A SERIOUS ACCIDENT, IMMEDIATE CARE IS ESSENTIAL AND FIRST CARE IS ALL IMPORTANT IN DETERMINING LIFE OR DEATH. A SECOND REASON IS THAT A HOSPITAL AND CORRESPONDING LONG TERM CARE UNIT EMPLOY A CONSIDERABLE NUMBER OF PEOPLE IN SMALL COMMUNITIES, CONTRIBUTING GREATLY TO ECONOMIC STABILITY OF THAT COMMUNITY.

SOME HOSPITALS IN MY AREA ARE CURRENTLY AT 10 MILLS AND 14 MILLS FOR HOSPITAL SUPPORT APPROVED BY VOTERS. THIS BILL WAS REQUESTED BY COUNTY COMMISSIONERS IN 3 COUNTIES WHICH I REPRESENT. I SEE HB 2188 AS A MEANS OF SAVING, NOT ONLY THE RURAL HOSPITALS, BUT THE COST OF HOLDING AN ELECTION.

I ASK FAVORABLE ACTION AND PASSAGE OF HB 2188.

Office of
COUNTY CLERK OF STANTON COUNTY
JOHNSON, KANSAS

February 17, 1987

Rep. Eugene L. Shore
124th District, Room 156-E
State Capitol
Topeka, KS 66612

Re: Proposed Increase in Mill Levies for
Stanton County Hospital

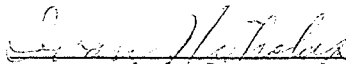
Dear Representative Gene:

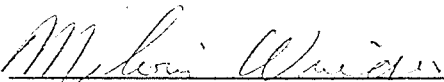
As County Commissioners of Stanton County, we write to you in support of proposed legislation that would increase the mill levies for the maintenance of our Stanton County Hospital. We understand the state proposed legislation would increase the mill levy for not only Stanton County, but for Morton and Grant County. We feel that it is necessary to have the mill levy statutorily increased in order to permit us to continue to operate our hospital. Presently, the mill levy, as authorized by law to be levied for our hospital, approaches the point of being inadequate for its financial needs. We see our hospital as an essential institution in our county and communities and, therefore, strongly support the passage of the proposed legislation.

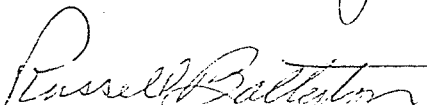
If there are any specific facts that you would like for us to address, please contact any one of us or a board member of Stanton County Hospital.

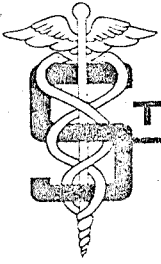
We thank you in advance for this cooperation and trust that you will inform other legislators of our support of this matter.

Sincerely yours,


Ivan Nicholas, Chairman


Melvin Winger, Commissioner


Russell Batterton,
Commissioner



STEVENS COUNTY HOSPITAL

1006 S. Jackson, Box 10, Hugoton, Kansas 67951

February 17, 1987

Eugene L. Shore
Representative 124th District
House of Representative
State House
Topeka, Kansas 66612

Dear Representative Shore:

In reference to your letter pertaining to HB 2188. I am in agreement that this is the best way to handle the need for additional tax levi for the operation of our rural Health Care Facilities.

Sorry that I cannot be in attendance in support of this bill. We are entertaining a doctor who is looking at Hugoton and making plans to set up a practice in the future.

Sincerely,

Carlyle Kiehne, Administrator
Stevens County Hospital

CK:ba

STANTON COUNTY HEALTH CARE FACILITY
ANALYSIS BY PAYOR

YEAR	TOTAL		COMMERCIAL		BLUE CROSS		MEDICAID		MEDICARE		OTHER	
	DISCHARGES	PATIENT DAYS	DISCHARGES	DAYS	DISCHARGES	DAYS	DISCHARGES	DAYS	DISCHARGES	DAYS	DISCHARGES	DAYS
1980	531	2364	60	203	244	995	15	62	143	921	69	183
1981	486	2272	76	277	158	616	19	80	166	1131	67	168
1982	413	2098	74	268	129	549	6	31	144	1074	60	176
1983	368	1395	85	290	107	366	15	54	119	592	42	93
1984	327	1085	83	207	90	302	4	7	82	417	68	152
1985	369	1029	110	240	107	261	14	47	58	300	73	181
1986	345	979	87	196	108	323	10	19	67	281	73	160
Increase/Decrease from 1980 to 1986	(186)	(1385)	27	(7)	(136)	(672)	(5)	(43)	(76)	(640)	4	23
% Increase/Decrease	(35)	(59)	45	(3.4)	(56)	(68)	(33)	(69)	(53)	(70)	6	(87)

STANTON COUNTY HEALTH CARE FACILITY
OCCUPANCY RATES/LTCU

YEAR	LTCU PATIENT DAYS	LTCU PERCENT OCCUPANCY
1980	9821	95.57%
1981	9846	95.58%
1982	9763	95.53%
1983	9387	91.84%
1984	9951	97.00%
1985	9096	89.00%
1986	8370	81.90%
Increase/Decrease from 1980 to 1986	(1451)	(15.00%)

	1981	1982	1983	1984	1985	1986	Percentage Change 1981 - 1986
TOTAL OPERATING REVENUE	735,603	764,934	845,913	888,960	781,933	790,483	7.5
TOTAL OPERATING EXPENSE	921,065	1,024,546	1,147,257	1,109,817	1,144,943	1,121,395	21.7
ACUTE PATIENT DAYS	2,143	1,994	1,319	1,026	896	979	(54.3)
LTC PATIENT DAYS	9,846	9,763	9,387	10,000	9,097	8,370	(15.0)
TOTAL HOURS WORKED	108,418	108,858	114,083	106,273	104,270	98,819	(8.9)
ACUTE ADMISSIONS	451	376	338	290	298	317	(29.7)
OUTPATIENT VISITS	640	590	638	535	455	856	33.8

Stanton County Health Care Facility's operating revenue was only \$54,888 more than our 1981 total operating revenue. This represents a 7.5% increase, but adjusting for inflation at an average of 8.5% per year since 1981, the buying power of the 1986 total operating revenue in 1981 dollars would be \$463,894. This is 36.9% less purchasing power than revenue in 1981. At the same time, our expenses have increased by 21.7%. This has happened even though total hours worked have decreased by 8.9%.

Acute care patient days have decreased by 54.3% with admissions decreasing by 29.7%.

STANTON COUNTY HEALTH CARE FACILITY
JOHNSON, KANSAS

HOSPITAL ROOM RATES

<u>YEAR</u>	<u>PRIVATE</u>	<u>SEMIPRIVATE</u>
01/01/81	\$119.00	\$110.00
01/01/82	159.00	150.00
01/01/84	178.00	168.00
03/17/86	*190.00	**180.00

LONG-TERM CARE UNIT RATES

<u>YEAR</u>	<u>PRIVATE</u>	<u>SEMIPRIVATE</u>
01/01/81	\$28.10	\$ 25.45
04/01/81	28.95	26.29
10/01/81	31.00	26.44
12/01/82	33.00	28.16
05/01/83	34.00	29.00
12/01/83	37.00	32.00
12/01/85	38.50	33.50
01/01/86	38.50	34.22
01/01/87	38.50	35.23

*Percent increase in private room rate from 01/01/81 to 03/17/86 was 59.7%.

**Percent increase in semiprivate room rates from 01/01/81 to 03/17/86 was 63.6%.

<u>YEAR</u>	<u>HOSPITAL MILLS</u>	<u>LTCU MILLS</u>	<u>\$/MILL</u>	<u>COUNTY EVALUATION</u>
1980	2 140,522.28	.50 35,130.57	70,261.14	70,261,139
1981	2 126,790.58	.50 31,697.65	63,395.29	63,395,290
1982	2 129,128.70	.50 32,282.17	64,564.35	64,564,348
1983	2 120,870.66	.50 30,217.66	60,435.33	60,435,329
1984	2.18 126,920.61	1.66 96,645.97	58,220.46	58,220,462
1985	2.15 126,879.22	1.60 94,421.75	59,013.59	59,013,591
1986	2.07 126,619.06	2.49 152,309.80	61,168.63	61,168,628

NOTE: Considering the time value of money, the \$126,619 dollars received in 1986 has the buying power of \$74,306 in 1981 dollars. Compare this to the \$140,522 we received in 1980.

Inflation was figured at an average of 8.5% per year as taken form the Bureau of Labor statistics.

NOTE: County evaluation decreased by 12.9% from 1980 to 1981.

1986 TAX RATES

<u>HOSPITAL</u>	<u>Mill Levy</u>	<u>Dollars</u>
Anderson County	2	75,572
Bob Wilson Memorial, Grant Co.	2	160,000
Caney Municipal	-	-----
Cheyenne County	5	123,820
Ellinwood District	2	67,973
Graham County	5	264,530
Greeley County	2	78,606
(going for two more)		
Greenwood County	-	-----
Grisell Memorial	8.07	243,813
Lane County	5.53	260,795
Lincoln County	7	195,083
Lindsborg Community	-	-----
Medicine Lodge Memorial	2	40,000
Minneola District	2	38,000
Mitchell County Community	2	71,504
Ottawa County	1.18	43,276
Phillips County	2	97,032
Rawlins County	5	172,130
Republic County	2	71,418
Sabetha Community	-	30,000
Satanta District	2	124,884
Stanton County	2	68,126
Trego County Lemke Memorial	2	71,466
Wichita County	6	183,090
(going for five more)		
Walsh, Colorado	2 + 8 for bond	
(going for 10 mils)		
<u>OTHER HOSPITALS</u>		
Commanche	7.869	275,265
Hamilton	7	268,023
(going for five more)		
Hodgeman	6	206,550
Morton	2	243,392
Goodland	2	
(going for three more)		
Lakin	2	300,000
Meade	2	148,000
Springfield, CO	1.596	50,825
(building project)	5.416	172,473

Mr. Chairman, my name is Roger John. I am an Area Director for Great Plains Health Alliance representing its hospitals which include three hospitals in Representative Eugene Shore's 124th District; they are Stanton County Hospital in Johnson City, The Bob Wilson Memorial Hospital in Ulysses and the Satanta District Hospital in Satanta. Great Plains Health Alliance is an organization that operates small rural hospitals. We operate 24 hospitals throughout Kansas ranging in acute bed size from 13 to 49 beds, many of which have attached long term care units. Seventeen of our hospital are county hospitals, 16 of which rely on county taxation to supplement their budgets. In many respects our hospitals are representative of the small community hospitals in Kansas.

We depend upon taxation and community support to keep our hospitals open, not because we can no longer give quality, cost effective care; we would compete favorably with any type of hospital on these two counts. We simply are not admitting the number of patients we were just four or five years ago. From 1981 to 1985, community hospitals in Kansas experienced a drop in admissions of nearly 30%. From 1981 to 1986, hospitals operated by Great Plains Health Alliance experienced a decline in admissions of nearly 41%; 16% of that decline occurred in the last two years. With increased pressure to reduce medical costs and with current third party payment reimbursement systems we can only anticipate a continued downward trend in admissions to our hospitals and with it, reductions in revenue with which our hospitals must continue to operate.

These conditions have challenged our hospitals to reduce expenditures and they have met these challenges by reducing staffing and other expenditures literally to the bone. These reductions, in most cases, however, have not offset the loss in revenues from declining admission rates. To these hospitals, taxation has become a major source of funds for operations, and it is the last major source of revenue available to them to continue to provide health care in their communities. In most cases we are seeing the reserves of our hospitals become depleted. Many of our smaller hospitals are operating on a "hand to mouth" basis with little or no reserves

for major equipment repair or replacement, for start up costs of new services, or for contingencies which may arise during the year. Neither are there funds for wage and salary increases necessary to stay competitive with other hospitals and industries in attracting health care professionals. The future for these hospitals without adequate taxation, will result in the provision of less than quality health care, closure and ultimately a loss of access to health care in the community.

Out of the 17 county hospitals we operate, 3 are receiving less than 2 mills, 7 are receiving 2 mills, and 7 are receiving more than 2 mills; ranging from 4 to 11 mills.

As you are aware there are vast differences in the tangible valuation of the counties in Kansas. Of the county hospitals we operate, one mill currently ranges in value from approximately \$23,900 to \$165,400. On a statewide basis this range is much larger, yet hospitals most dependent on taxation are receiving less from each mill. Of our hospitals receiving more than 2 mills, the value of one mill ranges from only \$23,900 to \$32,300. Six mills in Cheyenne County at \$23,900 per mill (\$143,400) is worth less than 1 mill in Grant County of \$165,400 per mill.

Over the past three years county tangible valuation has also waivered considerably. As a result of the change in valuation over these years, the change in the value of one mill ranged from a 1.2% increase in one county to a whopping 53.8% decrease in another.

Never before in the history of health care have we seen hospital revenues drop so rapidly and never before have Kansas hospitals been so dependent on taxation for their livelihood. We see no end to this dependency and realize the potential for losing some hospitals. We believe, however, that protection of the access to health care for all Kansans is a primary concern and that counties may best preserve their access to care by dealing with their health care costs through more flexible and timely processes. We believe House Bill 2188 is a step in the right direction and would urge your favorable passage of this bill out of committee.



INTER-OFFICE CORRESPONDENCE

To GPHA Staff Date February 18, 1987
From Curtis C. Erickson Subject

The attached comparative information sheet indicates the admissions to our hospitals for 1981 - 1984 - 1986. The reason for using these three years are:

- 1981 is the last year of cost reimbursement
- 1984 is the first full year of the Prospective Payment System
- 1986 current year

A summary of the information on a total basis indicates that for our 24 Kansas Hospitals the changes in admissions are:

Table with 4 columns: Year, Admissions, Change, and Percentage. Rows show comparisons between 1981-1986, 1984-1986, and 1981-1984.

I have also listed the assessed tangible valuation for our counties for the years 1983 and 1986.

This information is being used as we contact legislators regarding HB 2188 which is discussed on Page 4 of your KHA Legislative Report, Vol. 6, #5, 2-13-87.

Roger John and others will testify on Friday 2-20-87 and I have called various committee members.

Curtis C. Erickson
CCE

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	1981	<u>Admissions</u> 1984	1986	1983 Assessed Tangible Valuation	1986 Assessed Tangible Valuation	% Change
Anderson	1213	938	703	39,901,931	36,591,171	- 8.3
Bob Wilson	1788	1388	1039	175,169,680	165,448,022	- 5.5
Cheyenne	296	242	130	25,735,154	23,914,479	- 7.0
Ellinwood	578	249	175			
Greeley	481	288	252	38,063,711	35,187,730	- 7.6
Greenwood	1774	1320	1063	53,389.101	44,802,373	-16.1
Grisell	401	241	161			
Lane	212	116	42	39,450,906	32,305,152	-18.1
Lincoln	351	352	285	28,956,291	27,282,404	- 5.8
Lindsborg	985	744	532			
Medicine Lodge	1813	1005	887			
Minneola	409	355	274			
Mitchell	2408	1330	1206	35,734,980	35,888,322	+ .4
Ottawa	811	563	379	37,194,877	36,272,252	- 2.5
Phillips	1458	1335	1177	52,559,131	44,557,711	-15.2
Rawlins	1167	408	497	30,358,391	30,034,351	- 1.0
Republic	1705	1200	1030	37,641,138	36,110,230	- 4.1
Sabetha	685	601	474			
Satanta	641	606	350			
Scott	951	624	673	37,350,207	35,537,025	- 4.9
Smith	787	711	835	29,128,708	28,400,091	- 2.5
Stanton	451	295	317	60,435,329	61,168,628	+ 1.2
Trego	711	676	638	57,522,061	26,549,530	-53.8
Wichita	289	238	188	31,305,455	31,191,544	- .4
	<u>22,365</u>	<u>15,825</u>	<u>13,307</u>			