



COFFEYVILLE REGIONAL MEDICAL CENTER, INC.

“Caring for You is What We Do”

TO: House Health and Human Services Committee

FROM: Neal Barkley, Board of Directors Chairman

DATE: March 13, 2015

RE: House Bill 2319 – Support

On behalf of Coffeyville Regional Medical Center, I am pleased to provide a letter of support for House Bill 2319, which requires the Kansas Department of Health and Environment to develop a federal Medicaid waiver for a budget-neutral managed care program known as KanCare 2.0. KanCare 2.0 would provide access to healthcare coverage options for newly eligible individuals while employing personal responsibility through cost sharing and rewarding healthy outcomes and responsible health choices.

Coffeyville Regional Medical Center (CRMC) is a 501(c)3 non-profit, city-owned hospital licensed for 88 beds and located in Montgomery County. In 2014 we served approximately 80,000 patients, mostly from Montgomery, Chautauqua, Labette, Allen, Neosho, and Wilson counties in Southeast Kansas, as well as Nowata and Craig counties in Northeast Oklahoma. CRMC provides a surprisingly comprehensive array of services for a small rural hospital including Acute Inpatient Hospital care, the only dedicated Skilled Nursing Unit in a 75-mile radius, Cancer Treatment (medical oncology and radiation oncology), Surgical Services (general surgery, urology, gynecology, eye surgery, neurosurgery and orthopedic surgery), Rehabilitation services, Women's Health (Obstetrics, Gynecology, digital mammography, osteoporosis screening), Home Health services, Occupational Health services (drug screening, pre-employment testing and wellness services), Wound Care (with hyperbaric oxygen) and Outpatient Diagnostic and Restorative services. We also provide numerous educational and support services throughout our service area including childbirth education, cancer support group, disease teaching and disease management.

Coffeyville Regional Medical Center employs over 350 residents of Coffeyville and the surrounding area, with annual payroll and benefits totaling over \$20 million. We are one of the larger employers in the area, and employing physicians, nurses, various professional medical technologists and technicians, clerical and support personnel, we have one of the higher average salaries in our market approaching \$50,000. Our organization is a vital part of the local economy, both as an employer and consumer of goods and services. We are also a major part of healthcare provision in our service area due to the wide range of services available here.

Healthcare has changed rapidly in recent years, with many payment reductions affecting rural areas disproportionately. Generally rural areas have a higher percentage of patients covered by public insurance programs such as Medicare and Medicaid, and as the Affordable Care Act (ACA) reduces payments from government payers, many rural areas are disproportionately affected.

Since 2011, an average of 11% of all CRMC patients identify as self-pay or uninsured, translating to thousands of people with financial difficulty obtaining needed healthcare services. Montgomery County ranks very low in Kansas for positive healthcare outcomes. Montgomery ranks number 99 among the 100 Kansas counties and as a three year rolling average, premature death (death prior to age 75) is increasing while Kansas and National values are declining. Morbidity measures (perceived health status and infant mortality metrics) are significantly higher than Kansas averages and nation goals. Due to these measures, access to quality and affordable healthcare is especially important in our corner of the state. Also, according the 2012 census data, 19.3% of adults in Montgomery County lack health insurance, nearly 5% higher than the Kansas state average of 14.4%. A higher portion of our main population is negatively impacted by lack of health insurance versus the rest of Kansas, meaning it is more difficult for this population to make timely and cost-effective decisions for both their individual and their family's health management.

The ACA has already impacted our organization in several ways:

1. Reduction in revenues: Payments from government sources are being reduced by the sequester adjustment, bad debt payments and coding adjustments. At the same time many patients who have had insurance are being forced to choose higher deductible and co-pay insurance coverage so that we are paid less from insurance companies and the patients have higher responsibility for payment.

In addition to reduced payments from insurers, the hospital has a voluntary Financial Assistance policy whereby we voluntarily offer financial assistance to patients that meet certain income and medical expense guidelines. Our Financial Assistance write-offs have risen to \$626,000 in 2014, or 1.8% of our net patient revenues. Many patients could be covered by Medicaid with the proposed expansion, reducing a small percentage of the financial pressure of uninsured or underinsured patients on our organization.

Increased amounts due from patients, or Accounts Receivable, as mentioned above have put additional cash pressure on the facility, as patients take longer to pay large medical bills than government or insurance payers.

2. Increased costs: As a large employer we must meet federal guidelines pertaining to the type of insurance we offer to employees and changes to determining full-time vs. part-time status among other requirements. As a result of these costs created by unfunded mandates we have taken strong measures to cut costs, in many cases reducing staff and cutting back on availability of services.

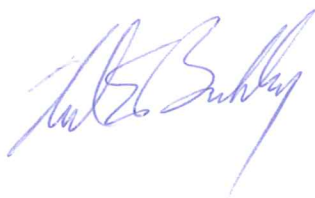
3. Capital Expenditures: The combination of lower revenues and increasing costs have put the hospital in a loss position, which has caused a freeze on capital expenditures in order to avoid further depletion of cash reserves.

4. Physicians relocating: We have recently had physicians leave Coffeyville to practice in larger cities where they can work for a large hospital and draw a salary instead of dealing

with billing and collecting for services they provide to patients. While this is not 100% due to the ACA, it is definitely a contributing factor in these physicians' decision to work for a salary vs. private practice of medicine.

As a major employer and purchaser in the Southwest Kansas area, CRMC is a vital economic engine in addition to being a healthcare resource for thousands of area residents. If economic pressures continue to the point that CRMC is no longer a viable organization, not only Coffeyville, but all of southeast Kansas will suffer from such a loss.

Thank you for your consideration of my comments.

A handwritten signature in blue ink, appearing to read "J. B. Subley".