



1200 S.W. Tenth Ave.  
Topeka, KS 66604  
785.234.5859

[www.phkonline.org](http://www.phkonline.org)

To: House Health and Human Services Committee  
From: Physician Hospitals of Kansas  
Date: March 16, 2017  
Re: Testimony in opposition to HB 2065

Chairman Hawkins and members of the House Health and Human Services Committee:

Thank you for considering the remarks of the Physician Hospitals of Kansas (PHK) regarding House Bill 2065. Physician Hospitals of Kansas, is a not-for-profit trade organization created for the purpose of exchanging knowledge, promoting health education, and representing the interests of the healthcare consumer by promoting physician ownership to achieve superior quality healthcare for Kansans.

The Health Care Access Improvement Program (HCAIP), was established in 2004 and included an annual assessment on inpatient services by hospitals. The assessment paid by hospitals is used to provide higher Medicaid reimbursement rates for some hospitals, pharmacy, doctor, and dentist services.

Some hospital providers that are state agencies, state educational institutions, or critical access hospitals are exempt from paying the provider assessment, yet some of them do reap the benefit of the increased Medicaid reimbursement resulting from the fee. The 2017 Kansas Legislator Briefing Book you were provided by KLRD sets out that in FY 2016, this assessment resulted in a net revenue of \$55.3 million from all funding sources. That is at the current rate of 1.83% for hospitals.

The hospital portion of HCAIP currently stipulates that not less than 80.0 percent of the funds collected from the hospital provider assessment can be disbursed to hospital providers through a combination of Medicaid access improvement payments and increased Medicaid rates on designated diagnostic related groupings, procedures, and codes. For some of our non-profit colleagues that means that they recoup a significant portion of the assessment they paid through HCAIP in increased reimbursement fees, while our members do not.

PHK members are also unique in that unlike our non-profit hospital contemporaries who are exempt from federal and state income tax, physician owned hospitals pay federal and state income taxes. Already subject to a type of double taxation (Income taxes and the existing assessment), an increase in the assessment fee is a particularly injurious action for you to contemplate.

The members of PHK request that you do not pass HB 2065 creating an increased burden on our member hospitals and all other hospitals across the state.