



Tom Bell
President and CEO

TO: Senate Committee on Ways and Means

FROM: Chad Austin
Senior Vice President, Government Relations

DATE: February 6, 2017

RE: Senate Bill 94 – SUPPORT

On behalf of our 127 community hospital members, the Kansas Hospital Association appreciates the opportunity to provide testimony in support of Senate Bill 94. The proposed legislation restores the funding of the Medicaid provider cuts that were implemented in July 2016 by increasing the health maintenance organization (HMO) privilege fee to 5.77 percent.

As a result of the 2016 Medicaid provider reductions, Kansas health care providers saw their Medicaid payments reduced by nearly \$46.5 million SGF and \$106 million AF. These cuts are exacerbating an already stressed health care system. By restoring the lost Medicaid funds, the state is taking an important first step in strengthening the Kansas health care system and the economic benefits associated with it.

Senate Bill 94 raises the HMO privilege fee, effective January 1, 2017, from 3.31 percent to 5.77 percent and uses the proceeds to restore the 2016 Medicaid provider cuts. Based upon the most recent data available, the HMO privilege fee would raise an additional \$83.5 million for state fiscal year 2018. This amount is more than sufficient to cover the \$46.5 million necessary to restore the Medicaid provider cuts.

The 2016 Medicaid provider cuts have caused unwarranted strain on the Kansas health care delivery system. While it is not the intent of Kansas hospitals to cause harm to the current HMO carriers, we believe the exclusive provider organization legislation (2016: HB 2454) that passed last year allows them an opportunity to avoid the increased HMO privilege fee.

KHA respectfully requests your support on Senate Bill 94. Thank you.

Kansas Hospital Association

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