



Kansas Hospital
ASSOCIATION

TO: Senate Public Health and Welfare Committee

FROM: Tom Bell
President and CEO

DATE: January 23, 2020

RE: Senate Bill 252

The Kansas Hospital Association appreciates the opportunity to provide testimony in support of Senate Bill 252. Medicaid expansion is a critical issue for the health of Kansans and the healthcare industry. At present, thirty-six states and the District of Columbia either have implemented or are moving toward expansion. Senate Bill 252 is a true compromise that will necessitate that everyone, including Kansas hospitals, take part.

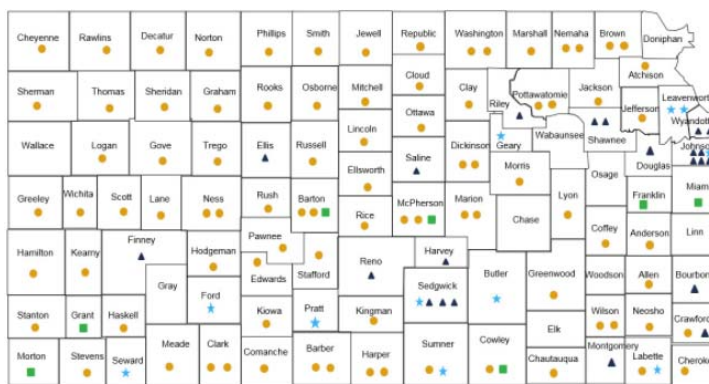
The Kansas Hospital Association has had a consistent history of testifying in favor of Medicaid expansion when given the opportunity. As such, there is no need to reiterate the many points that have been made over the years. Let us simply say that Kansas hospitals believe Senate Bill 252 is a sensible Kansas-based solution—a solution that will bring hundreds of millions of our federal tax dollars back home to Kansas – creating jobs, boosting our economy and improving the health of Kansans. This legislation will assist approximately 130,000 Kansans who need access to affordable health care coverage, many of whom earn too much to qualify for KanCare but too little to be eligible to receive financial assistance to purchase private insurance in the marketplace. Without regular care, the uninsured often wait until their health concerns reach the point of needing emergency care, which comes at a higher cost to all of us. Further, recent studies link Medicaid expansion to fewer opioid overdose deaths, better postpartum care, as well as lower rates of mental and physical health declines.

KHA is appreciative of all of the work that went into the concepts reflected in Senate Bill 252. Many hours of research, work and negotiation went into this bill and we are grateful for the continued commitment of the Governor's office and the Senate Majority leader to come to a compromise that will help Kansans. A significant part of their compromise includes a hospital surcharge—an element upon which both the Governor and Senate Majority Leader are in clear agreement. While such a surcharge is not, and has never been, KHA's first choice, it is part of an overall agreement that would produce tremendous benefits for Kansas citizens, the Kansas economy and Kansas hospitals. Recognizing this, the KHA Board decided that Kansas hospitals should take a leadership role in making Medicaid expansion a reality. Through the hospital surcharge, Kansas hospitals will assist in funding the state's share of expansion. At the same time, protections are built in that are aimed at creating a workable system that will run efficiently and benefit as many as possible.

Once again, thank you for the opportunity to speak with you today about KanCare expansion. We strongly urge the committee to take action and favorably adopt Senate Bill 252. We would be happy to stand for any questions.



Kansas Community Hospitals



124 Kansas Community Hospitals
 - Including 82 Critical Access Hospitals



Our Contribution to the Kansas Economy

Hospitals' contribution to the local economy is critical:

- As a major source of employment
- As a purchaser of goods and services
- As a provider of health care services

- Employ more than **97,000** people
 - 4.7 percent of all job holders

- Support an additional **88,000+** jobs in other business and industry
 - For every hospital job another 0.91 job supported

- Total employment impact of approximately **185,000 jobs**



Challenges Facing Rural Communities

What Are The Challenges?

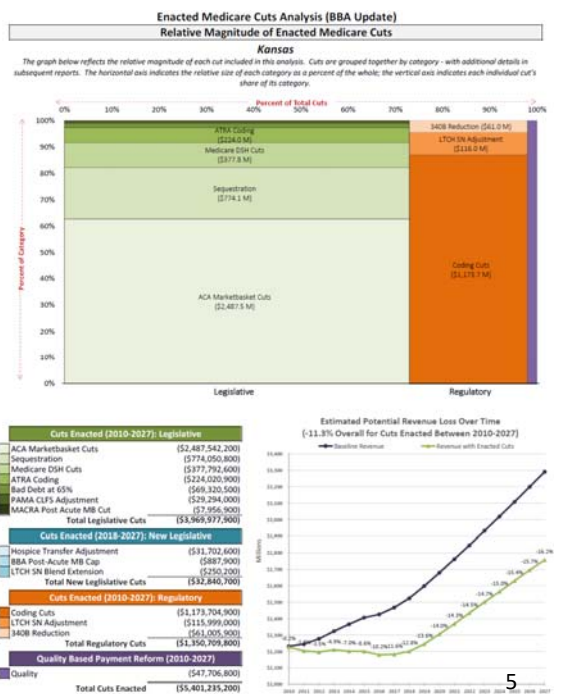


Source: American Hospital Association, 2018

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Health Care Policies Creating Challenges



NAVIGANT

HEALTHCARE

RURAL HOSPITAL SUSTAINABILITY:

New Analysis Shows Worsening Situation for Rural Hospitals, Residents

David Mosley and Daniel DeBehnke, MD, Navigant — February 2019

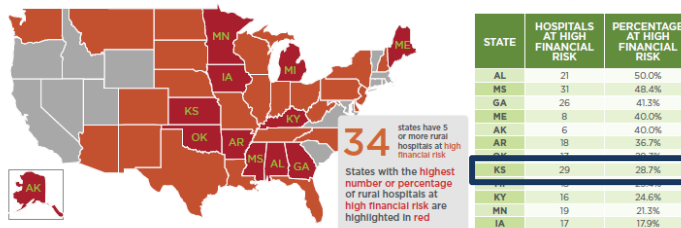
BACKGROUND

Rural hospitals are essential to the health of the 60 million Americans who live in rural communities.¹ Beyond providing care, they're also economic engines, often the largest employers and drivers of additional businesses and jobs to communities.

But for close to three decades, rural population growth has been significantly lower than urban areas,² a factor contributing to the closing of 95 rural hospitals across 26 states since 2010.³ And the economic effects are immediate — a study found⁴ that when a community loses its hospital, per capita income falls 4% and the unemployment rate rises 1.6%.

THE NUMBER AND PERCENTAGE OF RURAL HOSPITALS AT HIGH RISK OF CLOSING*

21% OF U.S. RURAL HOSPITALS ARE AT A HIGH RISK OF CLOSING UNLESS THEIR FINANCIAL SITUATIONS IMPROVE



Kansas at a Glance

- 5 hospitals have closed since 2010
 - Central Kansas Medical Center – Great Bend
 - Mercy Hospital – Independence
 - Mercy Hospital – Fort Scott
 - Oswego Medical Center
 - Horton Community Hospital
- 85% KS hospitals are operating at a loss
- Median days of cash on hand for KS CAHs is 46.57
- Many rural hospitals are experiencing financing challenges

Impact of Current Health Policy on Rural Hospitals and Communities

State	Hospital Type	Number of Hospitals	Number of Beds	% of Total Beds	Operating Loss	Days of Cash on Hand
IL	Y	74	5,42%	25%	<1%	
IN	Y	55	3.7%	27%	23%	
KS	N	108	-7.6%	65%	70%	
KY	Y	65	2.8%	23%	22%	
LA	Y	57	2.0%	43%	33%	



New Models for Rural Health Delivery

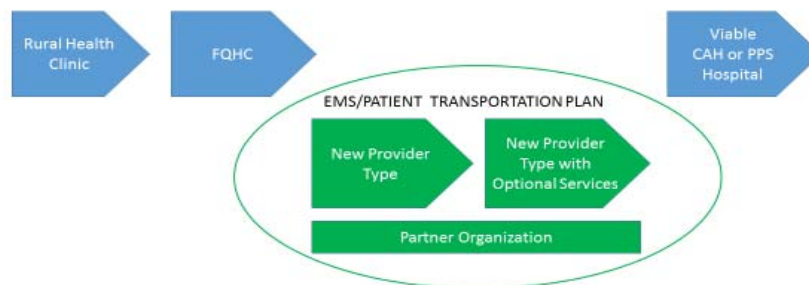


Vision and Principles *Sustainable Rural Health System*

- ✓ Improve Health
- ✓ Provide Access
- ✓ Encourage Collaboration
- ✓ High Quality
- ✓ Promote Efficiency and Value
- ✓ Embrace Technology
- ✓ Financed Fairly to Address Population Health



The Primary Health Center Model



Overview of Services Provided

Treating Patients Up to Inpatient Admission Criteria

CORE SERVICES

- Primary health care, including prenatal care
- Urgent care
- Emergency care
- Emergent and non-emergent transportation
- Observation (*Part of Transitional Care*)
- Outpatient and ambulatory services
 - Minor procedures
 - Ancillary services to support primary care and basic diagnostic
- Care coordination, chronic disease management and other approaches to population health
- Active telemedicine (All emergency care patients – may include access to specialist for emergency purposes)

OPTIONAL SERVICES

- If unavailable locally, may be included in the payment model:
 - Rehabilitative services
 - Subacute care (Transitional Care)
 - Behavioral health
 - Oral health
 - Specialty care (via telemedicine or visiting specialists on site)
- Other services needed within a reasonable distance (Must be consistent with community need and documented in data)

Staffing:

- RN(s) on site during hours of operation
- Physician, APRN, PA on call (Note: physicians not required)
- Active Telemedicine (emergency support, supervision if no physician)



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Recent Discussions and Activities

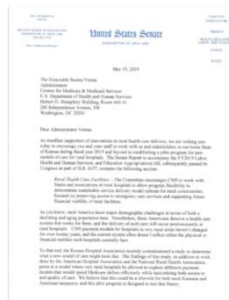
- Further Engagement with:
 - CMMI
 - Legislative Leadership
 - Kansas Insurance Commissioner's office
 - Other state health care provider groups
 - Regional HHS Administrator
 - AHA and NRHA
 - Kansas Stakeholders



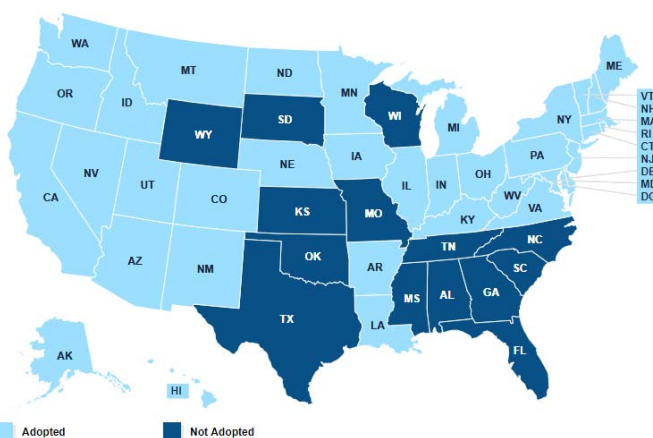
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Recent Discussions and Activities

- Support and Commitments offered by:
 - KDHE and the Governor’s office
 - Kansas Congressional delegation
 - Blue Cross and Blue Shield of Kansas
 - Kansas Farm Bureau
 - Kansas Association of Counties
 - KHA Board
 - KHERF Board



Medicaid Expansion States



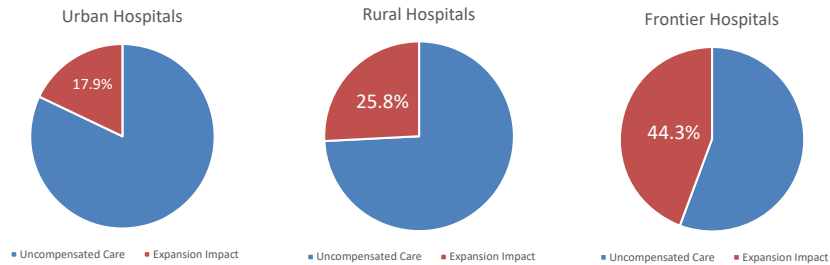
Expansion States: 36

Non-Expansion States: 14



Impact on Rural and Urban

According to the National Rural Health Association, 118 rural hospitals have closed since 2010.



Hospital Type	# of Hospitals	Avg. Benefit per Hospital, per Year	Avg. Annual 10-year Benefit per Hospital, per Year
Critical Access Hospital (CAH)	82	\$255,469	\$370,255
Rural, Non-CAH	17	\$913,418	\$1,323,828
Urban	27	\$6,255,445	\$9,256,302



Kaiser Family Foundation Literature Review

- Economic measures:** Analyses find effects of expansion on numerous economic outcomes, including state budget savings, revenue gains, and overall economic growth. Multiple studies suggest that expansion can result in state savings by offsetting state costs in other areas. The federal government covered 100% of the cost of the expansion in the early years of the ACA, and will cover 90% over time. There is limited research examining the fiscal effects of the Medicaid expansion at the federal level. **Additional studies show that Medicaid expansions result in reductions in uncompensated care costs for hospitals and clinics, and a growing number of studies show an association between expansion and gains in employment as well as growth in the labor market (with a minority of studies showing neutral effects in this area).**



<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-august-2019/>

Kaiser Family Foundation Literature Review

- **Most analyses that looked at rural/urban coverage changes find that Medicaid expansion has had a particularly large impact on Medicaid coverage or uninsured rates in rural areas.** For example, one study found that the Medicaid expansion closed the small gap in the uninsured rate among nonelderly adults living in urban vs. rural locations. Another study found that Medicaid expansion narrowed the disparity in Medicaid insurance rates between rural and urban childless adults.



<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-august-2019/>

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Kaiser Family Foundation Literature Review

- **Research shows that Medicaid expansions result in reductions in uninsured hospital, clinic, or other provider visits and uncompensated care costs, whereas providers in non-expansion states have experienced little or no decline in uninsured visits and uncompensated care.** One study suggested that Medicaid expansion cut every dollar that a hospital in an expansion state spent on uncompensated care by 41 cents between 2013 and 2015, corresponding to a reduction in uncompensated care costs across all expansion states of \$6.2 billion over that period.



<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-august-2019/>

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Kaiser Family Foundation Literature Review

- **Additional studies demonstrate that Medicaid expansion has significantly improved hospital operating margins and financial performance.** A study published in January 2018 found that Medicaid expansion was associated with improved hospital financial performance and significant reductions in the probability of hospital closure, especially in rural areas and areas with higher pre-ACA uninsured rates. Another analysis found that expansion's effects on margins were strongest for small hospitals, for-profit and non-federal-government-operated hospitals, and hospitals located in non-metropolitan areas. A third study found larger expansion-related improvements in operating margins for public (compared to nonprofit or for-profit) hospitals and rural (compared to non-rural) hospitals.



<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-august-2019/>