

To: Senate Committee on Health and Public Welfare

From: Deborah Barnes, Staff Attorney, League of Kansas Municipalities

Date: January 24, 2020

RE: Support of SB 252

I want to thank Chairman Suellentrop and the Committee members for allowing the League of Kansas Municipalities the opportunity to testify in support of SB 252.

Failure to introduce Medicaid expansion in Kansas has increased the financial burden on cities of all sizes.

Our member cities stand to benefit from this legislation in several ways. As well as direct benefits to citizens who will be covered by Medicaid expansion, SB 252 envisages innovative arrangements for a rural hospital transformation program. (Section 16)

Cities also welcome a mechanism provided for in Section 11 of SB 252 to ensure that prisoners' healthcare costs are covered when certain conditions are met. These prisoner costs are rising and unpredictable and a drain on city funding. (Section 11).

The Section 16 rural hospital transformation program is desperately needed. SB 252 goes beyond expanding KanCare. It recognizes the need for a transformation program for rural hospitals and makes provision for such programs to flow from a strategic plan developed by the Department of Health and Environment working through an advisory committee with stakeholders including the Kansas Hospitals Association and "other public and private stakeholders as deemed appropriate by the department."

Such a program is needed to assist rural hospitals that have been particularly affected by the high rate of uninsured rural residents and the failure of this population to pay for services used. In southeast Kansas, only 51% of the public are privately insured (compared to 65% statewide). Five of our rural hospitals have closed since 2010. What affects rural hospitals, affects our cities regardless of if the city owns the hospital.

When a local hospital closes, it causes a ripple effect on the city's economy. In most cases, hospital staff will leave the community, resulting in an immediate decreased property and sales tax base. Closure of a hospital in a community can reduce per capita income by nearly 4% (\$703).ⁱ The closure of a rural hospital can increase unemployment.ⁱⁱ Additionally, the closure of a hospital makes it more difficult to attract new business to the community.

Picking up unfunded hospital costs has been a huge burden on rural hospitals, and many have been running at a loss of millions of dollars a year as a result. Coffeyville, Fredonia and Wellington (where the hospital has now been taken over by an independent health care organization) are examples of cities where the cities have had to introduce sales taxes to support the hospitals and to pay utility bills. This support amounts in Fredonia to over \$4 million in the last 10 years.

The program will also benefit communities in which the hospital is privately-owned. Owners are willing to shut down the hospital if there are poor revenue streams. This was seen in Independence in October 2015 when the local hospital closed. Due in part to a lack of KanCare expansion, the city hospital prior to closure lost nearly \$1.6 million per year. In 2014, 14% of the people the hospital served were uninsured (11% are uninsured statewide). As a result, the hospital had a higher reliance to pay their bills on those with private insurance. The hospital directly cited to the importance of Kansas' failure to expand Medicaid in its decision to close. To accommodate the hospital's closure, Independence's EMS services' budget had to increase by \$300,000 in a one-year period to obtain the necessary equipment to accommodate the 22-mile trip to Coffeyville's community hospital.

Kansas residents are paying federal taxes to help other states expand Medicaid while at the same time shouldering an increased local tax burden in order to maintain essential healthcare services in their communities. This increased burden is unsustainable for municipalities and taxpayers. The choice between maintaining vital healthcare services crucial to sustaining the local economy or cutting such aid for the sake of providing other essential governmental services also crucial to sustaining the local economy can potentially be avoided by Medicaid expansion.

SB 252 presents a platform for Medicaid expansion and provisions for an accompanying rural hospital transformation program. SB 252 has the potential to make improvements in rural Kansas which will benefit all our citizens in very practical ways. SB 252 deserves careful consideration. For these reasons the League and its member cities urge you to send SB 252 to the full Senate for consideration.

ⁱ Holmes, G.M., Slifkin, R.T., Randolph, R.K., & Poley S. (2006). The effect of rural hospital closures on community economic health. *Health Services Research*, 41(2).

ⁱⁱ Id.