

WISCONSIN HOSPITAL ASSOCIATION, INC.

March 24, 2008

To: All Senate Members

**From: Eric Borgerding – Executive Vice President
Paul Merline – Vice President, Government Relations**

Re: Budget Repair Bill



Current Situation

The state reimburses hospitals less than 50% of what it costs hospitals to treat Medicaid patients. In order to make up the difference, this shortfall is shifted to commercial payers in the form of higher prices. The end of this legislative session will mark 14 years since hospitals have seen a Medicaid rate increase – this through both Democratic and Republican administrations. The annual cost-shift to cover Medicaid underpayments to hospitals now amounts to a “hidden tax” on commercial payers of well over \$600 million.

After Significant Modification, WHA Supports the Assessment

WHA initially opposed the hospital assessment and for good reason. Our opposition centered on three key themes/changes: Safe guarding the revenue; Delivering the promised payment increases; and Clarifying the assessment amount, timing and affected hospitals. After significant discussion with the administration and work on the details, the proposal was overhauled to address our key concerns. Senate Amendment (SA) 1 to Special Session (SS) Assembly Bill 1 (the 2007-09 budget adjustment bill) reflects those changes.

Current Proposal Details

Under the current proposal offered by Governor Doyle, a good portion of the Medicaid cost shift could be addressed. According to the non-partisan Legislative Fiscal Bureau, hospitals would be assessed a total of \$416 million over two years. About \$125 million from the assessment would be used to support the state’s Medicaid and BadgerCare programs, with the rest being used to capture hundreds of millions federal dollars and boost Medicaid payments to hospitals. When combined, \$708 million would flow back to hospitals via higher Medicaid payments - \$292 million more than the assessment over two years.

Also included in the bill approved by the Senate Finance Committee is additional funding to boost Medicaid payments to many rural hospitals and institutions for mental diseases (IMDs) as proposed by Governor Doyle and also strongly backed by WHA.

Business Support

Support for the hospital assessment is clearly gaining momentum. Wisconsin Manufacturers and Commerce, the Metropolitan Milwaukee Association of Commerce and the Greater Milwaukee Committee all support the hospital assessment as a way to capture more federal dollars for Wisconsin and begin alleviating the impact of Medicaid cost-shifting.

Wisconsin Voters Support the Hospital Assessment

A recent WHA poll of 400 likely voters also found that 74.5% support a hospital assessment if used to capture hundreds of millions in federal revenues, increase payments to hospitals to help care for the poor and uninsured and provide funding for health care programs, only 19% opposed. In other words, by a margin of nearly four to one, Wisconsin voters support the hospital assessment included in Senate Amendment (SA) 1 to Special Session (SS) Assembly Bill 1.

Inaction Guarantees the Cost-Shift Will Continue

While the hospital assessment is not a perfect solution, the dwindling opposition to this proposal clearly indicates it is a viable alternative for addressing the nearly 14 years of legislative inactivity that continues to exacerbate the health care cost crisis. Assuming the proper safeguards are in place, this solution – adopted by nearly half the states in the country – can be used to capture more federal dollars for Wisconsin and begin alleviating the impact of the Medicaid cost shift. WHA looks forward to continuing to work with the Administration and the Legislature on a well-crafted hospital assessment that can be part of a bi-partisan budget solution.