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JEFF WOOD

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Date: May 25, 2005
To: Co-Chairmen Representative Dean Kaufert and Senator Scott Fitzgerald
and Republican Members of the Joint Committee on Finance
From: Representative Jeff Wood
Re: Wisconsin Hospital Association “Downpayment Plan” for Medicaid

Over the past few weeks my office has received hundreds of letters, phone calls, emails and personal visits regarding our current Medicaid reimbursement rate for hospitals. In speaking with these people and doing some independent research, I have come to a simple inescapable conclusion; continuing to under fund these reimbursements is unsustainable and will ultimately result in catastrophe for our entire health care system.

By paying hospitals only 55% of what it costs them to provide services for Medicaid patients we force the hospitals to shift the remaining cost onto those clients who still have private insurance. Last year the shift constituted \$450 million in additional insurance premiums. This has caused and will continue to cause accelerated increases in premium rates for businesses and individuals purchasing private health insurance.

As the cost of private insurance rises, and ever fewer individuals and businesses can afford to pay the premiums, more and more people will end up on Badgercare and other Medicaid programs, causing hospitals, and ultimately employers and employees, to face perpetually increasing cost shifts.

Essentially we are looking at a snowball rolling downhill. The longer we wait to address the problem, the larger and more unmanageable it will become.

That is why I strongly support the “Downpayment Plan” to strategically place \$25 million per year in reimbursements to Disproportionate Share Hospitals, payments for outpatient procedures, and funding for residencies at teaching hospitals.

Spending this money will bring an additional \$74 million in federal revenues into the state over the next biennium and help put us on a better footing for the next budget.

I am a lead sponsor of the Taxpayers Bill of Rights because I believe, as I am sure you do, in accountable budgeting. We are faced with a tight budget that in the end will be the clearest statement of our mutually held values. I believe it is essential we begin to address this problem now in order to pay for the services we have promised Wisconsin’s citizens and ensure we are not in a worse financial mess two years from now.

If you have any questions or concerns regarding this memorandum, please contact me.