



2021 HB 1012
House Appropriations Human Resources Division
Representative Jon Nelson, Chairman
January 26, 2021

Chairman Nelson and members of the House Appropriations Human Resources Division, I am Tim Blasl, President of the North Dakota Hospital Association (NDHA). I am here to testify in support of House Bill 1012. I ask that you give this bill a **Do Pass** recommendation.

Medicaid (Traditional)

Medicaid payments play an important role in hospitals' finances, which can affect beneficiaries' access to care. Like other public payers, Medicaid payments do not cover the cost to the hospital of providing the care, resulting in payment shortfalls. Adequate provider payment rates help to ensure improved outcomes and access to necessary medical services for the people who rely on Medicaid to get their health care.

Medicaid Expansion

Medicaid Expansion was designed to significantly reduce the number of uninsured and improve their health by providing access to routine health care and preventive screenings. Covering about 24,000 North Dakotans, Medicaid Expansion has been very good not only for patients, but North Dakota communities and health care providers as well. The federal government pays 90% of the cost. This requires the state to pay only 10% – considerably less than the 50% the state pays for traditional Medicaid enrollees. Before the program was authorized, North Dakota hospitals' bad debt and charity care rose from \$102 million in 2008 to \$274 million in 2014—a nearly threefold increase. Thanks to Medicaid Expansion, hospital bad debt has dropped by nearly 50 percent. This significant decrease in uncompensated care has contributed to positive operating margins for a number of our hospitals.

We support reauthorization of Medicaid Expansion at the rates that were appropriated last session. We are not asking for an increase. We are simply asking that current rates – rates that have been in place with no increase since 2014 – be maintained. The cut being proposed by the Department of Human Services (Department) represents a reduction of \$100 million annually to hospitals (acute care hospitals). It makes little fiscal sense to cut \$10 million in general funds and lose the corresponding \$90 million in federal funds which amounts to an approximately 45 percent cut in hospital reimbursement.

The federal share for Medicaid Expansion is a nine to one return on investment. It provides dollars that flow directly into local communities, supporting wages, employment, consumer spending, and state tax revenue. It is critical to covering operating costs at our hospitals and clinics, the loss of which will result in staff cuts and closed facilities.

It has also been proposed to move administration of the Medicaid expansion program away from a private carrier and to the Department. We feel the administration of the Medicaid expansion program by a private carrier has worked well and our members would like to see that continue. Hospitals are concerned with the ability of the Medicaid Management Information System (MMIS) to handle this change. We are also concerned with the FTEs that the Department is requesting to add in order to administer Medicaid Expansion and that they will not be sufficient to provide the strong managed care being provided by the current private carrier.

Medicaid – Value-Based Purchasing

NDHA supports a collaboration between the State and hospitals to design a Value-Based Purchasing model that will create incentives that encourage enrollees to take personal responsibility for their health, provide program cost certainty, and support practice innovations that further the objectives of efficient, patient-centered care delivery.

Conclusion

In summary, hospitals treat and care for the citizens of North Dakota in a variety of settings and at a number of locations. Services must be provided 24 hours a day, seven days a week, 365 days a year, and the competition for employees has been raised to a new level. I ask that you support reauthorizing Medicaid Expansion at current reimbursement rates, maintain

administration by a private carrier, and providing for a partnership model between the State and provider organizations to implement a Value- Based Purchasing model.

For these reasons, we support HB 1012 and ask that you give it a Do Pass recommendation. Thank you. I would be happy to address any questions you may have.

Respectfully Submitted,

Tim Blasl, President
North Dakota Hospital Association