



SB 2012
Senate Human Services Appropriations Committee
Senator Dick Dever, Chair
Jan. 25, 2023

Chairman Dever and members of the committee. We, the leaders of North Dakota's four largest healthcare systems, are pleased to support SB 2012, the N.D. Department of Health and Human Services budget bill.

Let us begin by thanking each of you for your support and your leadership. North Dakota's lawmakers are a frontrunner in making decisions important to providing uninterrupted care for the patients we serve. We raise up your decision to leverage federal funding for North Dakota's Medicaid Expansion program. While other states struggle through hospital closures and shrinking access to care, North Dakota's hospitals are supported by sound policy decisions and innovative financial investments.

As you know, North Dakota's healthcare system has the unique challenge of delivering care in one of the most rural parts of the country. We provide the same advanced medical services offered in urban areas, competing for the same medical professionals and investing in the same technology—the two biggest drivers of healthcare costs—all while serving a smaller population. While we lack the advantage of economies of scale in urban areas, you have helped us maintain a healthy healthcare ecosystem and keep healthcare services close to home.

It is impossible to talk about the current state of healthcare without talking about the COVID-19 pandemic and its impact on North Dakota's hospitals and health systems. Healthcare has sustained nearly three years of economic and organizational upheaval. The public health emergency tested healthcare systems across the country, causing some to ration services and others to close their doors.

That didn't happen in North Dakota.

With your support, North Dakota's medical community was prepared to meet the challenges in unprecedented and inspiring ways, standing up dedicated COVID care units, expanding intensive care capacity and collaborating with one another to ensure the communities we serve had access to high-quality care when it was needed most.

As we emerge from the pandemic, we are now faced with troubling financial challenges. Hospitals took on tremendous debt to take care of North Dakota patients during COVID surges—contract staffing rates that were triple the cost of regular staff and millions of dollars was spent on PPE and infection

prevention infrastructure upgrades. While some of the COVID-specific expenses were offset by federal funding, much of the new spending was not. And today, with federal COVID funding a thing of the past, hospitals continue to rely upon travel staff and face enormously inflated capital and supply costs with no ability to increase prices.¹

Whereas North Dakota hospital margins historically have averaged 1 to 3 percent, this is not the case post-pandemic. Throughout 2022, North Dakota hospitals have seen operating expenses soar and revenues flatten, requiring hospital leaders to reduce costly contract staff, reduce services and delay much-needed capital investments.

The national landscape is the same: rising supply and labor expenses contributed to negative year-over-year margins throughout 2022 and continue into 2023. Hospitals and health systems are predicted to face unsustainable, historically low margins for several months to come², deficits that may take years to recover to pre-pandemic levels.

On a positive note, states that expanded Medicaid—leveraging Medicaid Expansion’s 90% federal match—continue to fare better than those that did not. Your decision to provide Medicaid Expansion reimbursement rates that cover the cost of care helps North Dakota hospitals recruit and retain workforce, invest in critically needed capital improvements and stand ready in the face of a worldwide pandemic. Thank you for supporting Medicaid Expansion for the last eight years. Now more than ever we are counting on your continued support.

Though we have not yet seen the details of what is proposed in SB 2012 specific to hospital providers, we support this legislation and we encourage you, our state’s policy leaders, to engage North Dakota’s healthcare leadership in your work to maintain affordable, high-quality care for your constituents. We could not continue to enhance healthcare in North Dakota without your leadership and support, and we are pleased to support you.

Thank you for your time, your service, and your consideration. Please do not hesitate to reach out to any of us with questions, comments, or ideas.

Sincerely,

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¹ Medicare and Medicaid payments are set by federal and state government, respectively; private health insurance rates are established annually via contract negotiations. Payments from Medicare and North Dakota traditional Medicaid are lower than the cost of providing the care.

² KaufmanHall National Flash Report, <https://www.kaufmanhall.com/sites/default/files/2022-07/KH-NHFR-July-2022.pdf>