2015 HOUSE HUMAN SERVICES

HB 1458

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1458
1/27/2015
Job #22633

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Vicky Crabtree

Explanation or reason for introduction of bill/resolution:

Relating to hospital bad debt offset grants and to provide an appropriation.

Minutes: Testimonies 1-5

Chairman Weisz opened the hearing on HB 1458.

Rep. Jon Nelson: From District 14 introduced and supported the bill. Two years ago I stood before you with a similar bill. I want to thank this committee passing it. This committee looked at the bad debt issue. Funding was put forth for looking into that. That bill was one time funding and it hasn't changed much. We looked at 2% as a number of assumed bad debt and then a hospital that wasn't making a profit would be eligible for a bad debt grant. This bill includes all the hospitals in the state. That is why there is a 20 million dollar appropriation. A technology system was also part of that past bill and was implemented so we could get a handle on how much bad debt there is out there. This bill is structured for one more biennium and a need exists. I want to thank this committee for what they did in the last session to begin this program and the continuing effort.

Chairman Weisz: How much did we do last session in dollars?

Rep. J. Nelson: $9.6 million dollars in grants and the technology program was $700,000.

6:34
Sen. David Rust: From District 2 testified in support of the bill. Thank you for what you did last session. I am the Chairman of the Tioga Medical Center Board of Directors. In FY 2010 the bad debt at the Tioga Medical Center was $167,000. Next year it was $341,000, the next year $703,000. FY 2013 it was $840,000 and FY 2014 was $1,662,000. From FY 2010 to FY 2014 there has been a tenfold increase. We have been aggressive in getting people to pay their bills. Aggressively sending those to collection agencies. The amount of dollars we got last time was 56%. We got $300,000 each of those two years to help. It is a tough time for hospitals. A lot of people go to our emergency room because they know we won't refuse them. I'm asking you to give this bill serious consideration and move this bill forward.

Chairman Weisz: Do you know roughly how much revenue you take in now?

Sen. Rust: About $10 million. We are struggling to find physicians. We have one doctor whose contract runs out in June and we are going to lose him. In the last few months we have offered about six contracts to doctors to come to Tioga. We are paying $300,000 a year plus incentives. We have a brand new house for them to live in. It's a struggle to get those people to come to rural ND. When you struggle there you have to bring in locums and when you do you spend three times the money.

13:28
Jerry Jurena: President of the ND Hospital Association testified in support of the bill. (See Testimony #1)

17:00
Rep. Mooney: The bill would appropriate $10 million dollars for the continuation of this program and recently you have $10 million that have been applied for. Presumably that could follow suit for the next two years; about $10 million per year within the biennium. Does that sound right? Do you expect another similar amount to equate to the $20 million or do you expect it to continue to increase with more hospitals?

Jurena: The $10 million is only based on the hospitals in oil producing and contiguous ? counties. This bill opens it up so we can ask state wide. I expect the number will be higher. Visiting with the CEOs across the state they are using different techniques. Some of them who had been losing money have stabilized that and some are doing better. It is a guess at this point. I expect the debt will be higher than $20 million.

Rep. Fehr: You made the reference to hospitals making changes to their internal collection processes. In the last session it was $700,000 to purchase personal information and health insurance verification system. At least one of the intentions with that was to improve collections at emergencies rooms. Could you give us a sense as to what difference that has made what kind of improvements and how it fits in the overall picture?

Jurena: We received the money in December 2013. By the time we entered into a contract with Amdion, we were well into 2014. We have 15 hospitals on the system. Some of the larger systems like Sanford, Altru, CHI couldn't wait to come up with our system. They went ahead and put some systems in so right now there are four different systems operating with similar processes. We don't have a full year, but antidotally what we are getting is that it is helping. We are in the process of working with Amdion to get us a report that will get us at least eight to nine months of data. We don't have that at this point.

Rep. Fehr: What does the overall picture look like in terms of hospitals being able to become more sustainable as opposed to every two years coming back? We heard earlier about the frontier amendment is making some difference and could talk about that and the recruitment issue in terms of locum tenens.

Jurena: The predictions going forward and oil barrels going to $45 will result in 20,000 people being laid off won't have insurance. Some have purchased homes in the state. If they don't leave the state may not have insurance so they will come to the hospitals for medical health and that will increase the bad debt. Frontier amendment provides about $68 million a year to the state, however around 90% of that goes to the six large hospitals. It does not affect the critical access hospitals across the state. It doesn't help the critical hospitals across the state. I overheard in the hall here that they are offering over $200,800 plus a sign on bonus of $150,000 to doctors. Recruitment has gone through the roof. We have to up our ante just to get them to come to ND. We have some stigma we have to overcome and one is we are up north where the winters are terrible and then we have oil country and there is not enough housing and a lot of traffic in oil country. We are fighting all the stigma as we are growing into a new North Dakota. There aren't enough professionals to go around either. At a board meeting here in December, one of my members said I'd hire a 100 RNs if we had them tomorrow. Another member from a critical access hospital said, I'd hire 30 RNs if they came through my door now. This is across the state. There is a need for occupation and physical therapists, lab techs, X-ray techs and LPNs. Recruitment is very tough. It is a whole different ballgame than what it was six years ago.

Chairman Weisz: With the Affordable Care Act and the state doing Medicaid expansion, In theory everyone should be covered. The bad debt should be getting less. Yet we are hearing it is getting worse. How do you reconcile the fact they should be in the exchange or expansion or on Medicaid.

Jurena: Some hospitals said the medical expansion has helped them and others said it hasn't been that big of a help. Hospitals in the western part of the state are hiring people who aren't eligible for Medicaid expansion because of the dollars they are making. They are opting to take housing allotments versus health insurance. That is where patient identification system is working and where the insurance verification system is working. They are coming in and telling the hospitals that they are working for xyz and my insurance is forth coming. We can get in and check that and say no you don't have insurance or your address is wrong and so those people are creating most of the bad debt.

Rep. Rich Becker: How do you address this ongoing problem?

Jurena: Is the future bright? Yes, we see it that way. There are obstacles along the way. Workforce is the number one issue brought up by the board at the last two meetings. We have a number of bills we are tracking this session. We are supportive of one bill about professional staff. We are hoping to get the staff in here. Having a place to live is a problem. The bad debt will probably continue. The coming together of the administrators and sharing what processes they have tried and what have been helpful.

Rep. Rich Becker: Can you give an overview of Minnesota, Montana, and South Dakota? Is this something we are trying to mimic?

Jurena: We have a bill, HB 1396 that we are supportive of and it will mimic some of the things our neighboring states are doing. They are providing more dollars and length of span when they come in and there is more commitment. We are looking at what others are

doing and trying something different. We can't keep doing what we have been doing and hope for a different result.

Rep. Porter: It is my understanding that the Frontier amendment is two different reimbursement systems between critical access hospitals and who the frontier amendment deals with as far as the rest of the Medicare hospitals. It only deals with Medicare patients. In the rural facilities that have critical access designation are reimbursed a 100% of their cost from Medicare. Whereas the other hospitals dealing with the Frontier amendment just get the wage discrepancy bumped up, but they still aren't reimbursed at their cost. You are talking apples and oranges when you do that comparison.

Jurena: You are right. Critical access hospitals are reimbursed from Medicare at 101% of their allowable costs. Allowable costs according to I. Bailey are about 92-93% of their total cost. We don't get reimbursed for everything. The state follows what Medicare is doing on the cost report and instead of reimbursing critical access hospitals at 101% allowable costs, they reimburse at 100% of allowable cost. The large hospitals are on a perspective payment system which the Frontier amendment covers. Eighty percent of the doctors in the state are employed by eighty percent of the hospitals. A number of the critical care access hospitals are employing. Under the Frontier amendment physicians are covered with the Medicare payment system. Critical access hospitals in a small percentage getting some of that Frontier amendment because they employ the doctors.

Rep. Porter: Inside of the oil producing counties what other funds inside of the impact grants went to those health care facilities for a total dollar amount?

Jurena: We had 1% loan repayment program that six hospitals in oil producing counties were able to take advantage of to either build new hospitals or remodel their emergency room and outpatient departments.

Chairman Weisz: That was $50 million. Right?

Jurena: Yes.

Rep. Porter: Inside of this and what came out of 1358 last time; as you were working with the association with the executive branch, was there a particular reason why this program was not included in the executive recommendations in the budget that came out of the Governor's office?

Jurena: I don't know of any reasons. (Rep. Nelson in the audience said "we didn't ask.")

Matt Grimshaw: President of MCH-Mercy Medical Center testified in support of the bill. (See Testimony #2) (39:36) We have recruited nearly 20 providers. In nearly every circumstance that person had a reason or connection to that part of the state. We have invested in housing and spent $11 million in 2012 opening a 66 unit apartment building in downtown Williston. We qualified for some grant funding through the central service program. We currently house our employees and central service workers in our building. We started a residency program and have our first year resident in Minot and a second year resident has started and another second year resident will start in the coming months.

We are approved for two residents per year, funded through the UND and we are supplying the support staff and they are funding the resident. We along with Trinity in Minot have looked internationally to fill our nursing staff vacancies. By early spring we will 50 full staff from the Philippines working across our hospitals. If it weren't for international staff we wouldn't be open. There are not enough nurses in the workforce to fill our needs. Loan repayment; as Jerry has mentioned we have a bill going forward that we have introduced which is a modification of the state's current loan repayment program to mirror what is in states around us. To address the comments about the Affordable Care Act and Medicaid expansion; in our market those simply don't help. The average worker in Williston and surrounding communities will never qualify for Medicaid and the Affordable Care Act primarily relates to companies that employ 50 or more people. Those using our services and not paying for them in many cases are independent contractors and working for star (inaudible) and the AC does not mandate that they provide health insurance. They come to the emergency room because we can't turn them away. I do not believe this is going away. I do not believe the oil prices will stay low long term to see a significant pull back in ND. As long as there is drilling going on there are itinerant workers and itinerant workers usually don't pay their bills.

43:28
Rep. Porter: Opening this up to a statewide program would be a net decrease in the amount of funds available to the most heavily impacted facilities. Why would that be a good idea?

Grimshaw: I'm not here to debate whether or not that is a good idea. As a state we are looking at the impact at what is happening in our corner of the state is spreading. Carrington has dozens of people living there and working for oil related companies and commuting back and forth. The bad debt problems are spreading east.

Rep. Porter: Inside of Mercy Medical Center even with layoffs there is a mandate you have to have insurance. At what point does the universal health care system kick in?

Grimshaw: My opinion is it is not going to fix the program. They won't buy insurance on the exchange. The penalty is not high enough to get them to buy insurance on the exchange. If they do buy insurance they are going for bronze plans that have deductibles in the thousands of dollars per family member. The bad debt will not go away because they still don't have to pay a deductible for emergency services or (inaudible) care.

Daniel Kelly: Chief Executive Officer of the McKenzie county Healthcare Systems in Watford City, ND testified in support of the bill. (See Testimony #3)

53:45
Rep. Porter: Can you get us your payer mix on the breakdown of the bad debt?

Kelly: I can supply that for you. The vast majority of the payer mix is self-pay.

Rep. Porter: Inside of the healthcare case management system, facilities have taken a very aggressive approach while patients are still in their facilities getting them signed up

with Medicaid expansion or exchange. Have you taken that position in your health care system?

Kelly: The people have high income and not eligible for those programs. We are taking time out of our admitting staff's day to do those things with no result. Until there is an individual mandate with a high enough penalty that makes them sign up, they will not. The penalty is $100 versus the thousands of dollars they are getting in free care; there is no incentive for people to sign up for them to sign up in the exchange. We virtually stopped spending our staff's time trying to get people to sign up for programs they are not eligible for. They won't even fill out a charity care application.

Rep. Porter: How are you chasing that bad debt with judgments and liens? You should have payroll deduction from them. How is that going?

Kelly: We are the most aggressive facility relative to trying to address that issue up front. Before we write a script we ask for payment. They give false information and false addresses. I worry about the viability of our facility and pursue collection aggressively. The small amounts are not worth going through the court system as it costs us more in the long run. Those that we do though we can get a judgment against them and there is no payment or we can't get the judgment because we don't have good information.

Rep. Porter: The penalty is $325 per person up to 3 in a household or 2% of their income.

Kelly: I stand correct. We are not seeing the action.

1:35
Reed Reyman: President of CHI St. Joseph's Health in Dickinson, ND testified in support of the bill. (See Testimony #4)

1:07
Theo Stoller: The CEO of Jacobson Memorial Hospital in Elgin, ND. We operate a 25 bed critical access hospital and have to rural clinics, one in Elgin and one Glen Ullin. Last year we roughly received $96,000 in grant funding due to this bill and would like to thank you all for that. We serve roughly 2500 people so we are not quite as big as the facilities in the northwest part of the state. Studies have showed that the population has decreased in the last five years and the nearest critical access hospital is 67 miles away in Hettinger and the nearest (inaudible) facility is in Bismarck. We serve a vital role in saving lives in our area. In FY 2011 our gross revenue was $5.4 million and FY 2014 is $6.2 million. We have $1.3 million in ER and in collections about $533,000. Historically we have struggled to show a positive operational bottom line. In FY 2011 a $214,000 loss, FY 2012 $459,000 loss, and it FY 2014 we showed a positive bottom line of $342,000 which had a lot to do with the grant income that we had in our facility of $537,000 and the $96,000 was included in that number. From 2011 - 2014 we had a 65% increase in the ER where most of our bad debt comes from. People go to the ER because they now they can. An average over the last 5 years we have booked roughly about $100,000 of bad debt per year. Each year with an overall balance on our books currently at $700,000. We are looking at daycare and staff right now. We have staff to visit with patients on how to sign up for Medicaid. We have

allocated time for our collections process. I'm thankful to be part of this grant and we have learned at our facility that we need to have anywhere from $200,000-$300,000 in non-operative revenue to stay sustainable.

1:12
Randall Pederson: President/CEO of Tioga Medical Center, Tioga, ND testified in support of the bill. (See Testimony #5)

Chairman Weisz closed the hearing on HB 1458.

2015 HOUSE STANDING COMMITTEE MINUTES

Human Services Committee
Fort Union Room, State Capitol

HB 1458
2/9/2015
Job #23453

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature Vicky Crabtree

Minutes:

Chairman Weisz: This is the bad debt bill. We had a similar bill last session and we allocated $9.6 million and $750,000 went for bad debt software. The rest was left to apply for the bad debt. This has become to me no longer a one-time funding issue. During the testimony I didn't hear where it was going to end.

Rep. Porter: I would Move a Do Not Pass on HB 1458.

Rep. Hofstad: Second.

Rep. D. Anderson: In my area we have two hospitals and now they are both losing money and the model we have just does not show we are going to get ahead. I struggle to know what to do.

Rep. Seibel: With people utilizing ER rather than clinic and the transient population it is almost impossible to collect these bad debts. I will resist the Do Not Pass recommendation.

ROLL CALL VOTE: 7 y 6 n 0 absent

MOTION CARRIED

Bill Carrier: Rep. Porter

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1458

House Human Services Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Porter Seconded By Rep. Hofstad

Representatives	Yes	No	Representatives	Yes	No
Chairman Weisz	✓		Rep. Mooney		✓
Vice-Chair Hofstad	✓		Rep. Muscha		✓
Rep. Bert Anderson		✓	Rep. Oversen		✓
Rep. Dick Anderson		✓			
Rep. Rich S. Becker	✓				
Rep. Damschen	✓				
Rep. Fehr	✓				
Rep. Kiefert	✓				
Rep. Porter	✓				
Rep. Seibel		✓			

Total (Yes) 7 No 6

Absent 0

Floor Assignment Rep. Porter

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1458: Human Services Committee (Rep. Weisz, Chairman) recommends **DO NOT PASS** (7 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1458 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1458

#1

NDHA

North Dakota Hospital Association

Vision
The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.

Mission
The North Dakota Hospital Association exists to advance the health status of persons served by the membership.

Testimony: HB 1458
Hospital Bad Debt
House Human Services Committee
January 27, 2015

Good morning Chairman Weisz and Members of the House Human Service Committee. I am Jerry E. Jurena, President of the North Dakota Hospital Association. I am here today in support of HB 1458 and ask that you give this bill a **Do Pass.**

In 2013 the 63rd Legislature passed HB 1358. Section 10 of this bill appropriated funds to the Department of Human Services for the purposes of administering a grant program for critical access hospitals located in oil producing counties and contiguous counties to address the effects of oil and gas related activities regarding health care, specifically the increased utilization by oil workers and their families in emergency rooms and outpatient departments in hospitals.

In 2013 $9.6 million was allocated to Human Services with $700,000 to be utilized by hospitals to purchase a personal information and health insurance verification system. The remaining $8.9 million was divided equally over both years of the biennium to help offset uncompensated patient care costs.

In November 2013 the Department of Human Services sent out an application form to critical access hospitals within the state. Based on the eligibility requirements covered by Section 10, nine (9) hospitals qualified for the grant program. These eligible hospitals had approximately $8 million in bad debt over the historical bad debt of 2.7% of gross patient revenue. The hospitals received 56% of their qualified amount because the overall application totals exceeded the appropriated amount.

PO Box 7340 Bismarck, ND 58507-7340 Phone 701 224-9732 Fax 701 224-9529

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In November of 2014 the Department of Human Services again contacted the hospitals in oil producing counties and contiguous counties regarding the application submitting process. The Department of Human Services has indicated ten (10) hospitals have submitted applications, an increase of one from the prior year. The total amount from these applications total approximately $10 million, an increase of two million from the prior year.

Again the criteria are: the hospital has to be in oil producing county or a contiguous county, have a bad debt greater than 2.7% of gross patient revenue and any funds received cannot give a hospital a positive bottom line. The deadline for applications was December 1, 2014.

The Department of Human Services receives the applications and verifies the numbers. Once this has been completed checks will be mailed to the individual hospitals.

HB 1458 is a continuation of HB 1358 from the prior legislative session.

Hospitals are making changes to their internal collection processes; however, they are still inundated with oil workers and their families utilizing the emergency rooms. Hospitals are required by **EMTALA, Emergency Medical Treatment and Active Labor Act,** to assess, treat and stabilize each and every patient that comes in to the emergency room before inquiring about payment. People from out of state know and utilize this Act to their advantage; thereby, creating a no win situation for hospitals and leaving the hospitals with a bad debt problem.

Today I have several hospital CEOs here to provide additional information on their hospital.

I ask that you support HB 1458 and recommend a **Do Pass.** Thank you.

Respectfully Submitted,

Jerry E. Jurena, President
North Dakota Hospital Association

1-27-15 #2

CATHOLIC HEALTH INITIATIVES®

Mercy Medical Center

Good Morning.

Thank you for the opportunity to speak with you today regarding House Bill 1458. As the President of CHI-Mercy Medical Center in Williston, we are on the front lines trying to meet the rapidly changing health care needs in our region. Our mission drives us to do everything we can to meet these needs, and that is exactly what we have been doing. In the past 5 years we have recruited nearly 20 full time providers to Williston which has enabled us to significantly expand the services we offer, and we anticipate further expansion as our population grows. However, there are significant obstacles in our path that we continue to work to overcome. One of those is the reality of uncompensated care that we provide each and every day, and the resulting Bad Debt expense continues to stress our organization.

Two years ago I appeared before this body and testified about the challenges we were facing and the financial implications. At the time I believed that we could weather the storm of unpaid bills without our operating results going into the red, but that was not the case. Starting in late 2012 we began to see rapid escalation of bad debts on top of our already rapidly increasing costs, and thankfully we were able to qualify for some relief under the legislation passed in the last session. On behalf of our community, staff and patients, I am here to express our gratitude for that support.

As we look at where we are today, we are beginning to experience better financial results, and through December our operating loss has improved, but we are still not where we need to be. The following demonstrates our financial challenges and improvement we have made as an organization:

FINANCIAL SUMMARY	FY 2013	FY 2014	FY 2015 (6 mos)
Net patient service revenues	$ 57,888,976	$ 61,455,792	$ 35,208,609
Bad debt expense	7,397,955	10,577,244	5,202,075
Loss from operations	(1,388,342)	(2,605,779)	(662,334)
Bad debt ratio	12.8%	17.2%	14.8%
Operating margin	-2.3%	-4.0%	-1.8%

It is worth noting that our FY14 Results include the grant funding we received last year so without that our results would have been much worse. As we look to the future, many challenges remain. Our labor costs continue to increase faster than we hoped, and while we have made improvement in the percentage of uncompensated care, the amount is still unsustainable. In the past 2 years we have made a focused effort on collections and have added 2 additional patient financial counselors to our team. Upfront collections are a bright spot for our organization, as we consistently perform at or near the top in the entire CHI organization. That being said, we believe that the health care organizations struggling every day to meet the challenges in our oil impacted communities are going to continue to need additional financial support.

With that in mind, we fully support House Bill 1458.

Thank you for your time, and I would be happy to answer any questions you may have.

Matt Grimshaw, President

CHI-Mercy Medical Center

1301 15th Avenue West Williston, ND 58801
Phone 701.774.7400 www.mercy-williston.org

#3

Testimony In Favor of House Bill 1458
House Human Services Committee
January 27, 2015

Chairman Weisz and members of the House Human Services Committee, I thank you for the opportunity to speak in favor of House Bill 1458. My name is Daniel Kelly, and I am the Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, North Dakota.

The McKenzie County Healthcare Systems, Inc. consists of the Critical Access Hospital, Skilled Nursing Facility, Basic Care Facility, Assisted Living Facility, Rural Health Clinic and the Connie Wold Wellness Center.

Healthcare systems in general and the McKenzie County Healthcare System specifically are facing the following operational challenges:

Staff Recruitment and Retention
Increased Staffing Expense
A Lack of Affordable Housing
Increased Utilization of Emergency Room Services
Increased Emergency Room Provider Costs
Significant Rise in Bad Debt
A Lack of Day Care, especially affordable day care

I will briefly address each of these.

Staffing Recruitment and Retention-We are experiencing an increase in open positions principally in dietary, housekeeping, maintenance and certified nurse aid and R.N. positions.

Increased Staffing Expense-To maintain quality healthcare we have used "traveler staff." Our January Human Resources report notes that for that one month at the hospital alone we incurred traveler staff expense of $22,026.50.

Housing- There is a shortage of affordable apartments and/or homes to purchase. Apartments easily rent for $2,500.00 and those few homes that are listed for sale have asking prices of in excess of $250,000.00. I currently have staff that have accepted an employment offer but have not started working given they cannot find an affordable place to live.

Increased Utilization of Emergency Services-In fiscal year 2010 we averaged 159 emergency room visits per month. In fiscal year 2011 that number was 256. In contrast to the above, we presently average in excess of 500 visits per month.

/

This increased activity results in two areas of concern.

Physical Space-At times the healthcare system is seeing four patients present at the same time as a result of traffic accidents. The emergency room was not designed to handle that volume of patients.

Trauma-While this facility is equipped to handle trauma cases, the frequency with which those cases are presenting has increased creating a strain on our physical and manpower resources.

Increased Emergency Room Provider Costs-Prior to the marked increase in Emergency Room visits the hospital would staff the department by having a clinic physician leave the clinic and come to the emergency room. With this increase in activity and especially given the increase in trauma or cases of a more serious nature, our clinic physician frequently had to spend their "clinic hours" covering the emergency room. Thus the clinic patients were frustrated given the difficulty they experience in scheduling a clinic visit exasperated by the possibility that they would not get to see the physician as their provider was providing coverage in the emergency room.

To address this growing community discontent we are now covering the emergency room with contracted emergency room physicians. In December the cost for emergency room physician coverage was $119,897.48.

Significant Rise in Bad Debt- For the 2014 fiscal year the healthcare system wrote off $2,507,840 in bad debt compared to $2,280,237 the prior fiscal year. We have stemmed the tide of rising bad debt but if not corrected it will be the financial demise of the healthcare system.

Day Care- We are presently seeking ways to address this shortage. If we are able to overcome the obstacles of starting salary and housing often times the lack of day care for working mothers precludes our hiring much needed employees.

I, as Chief Executive Officer, am trying everything I know possible to address these operational issues. The assistance afforded us in House Bill 1458 will make the difference between our continuing to offer healthcare services in the region over the next three years or our closing.

House Bill 1458 is an investment in the future of North Dakota and in North Dakotans. The Bakken play is a long term economic driver for North Dakota. Businesses and Employees will decide where they choose to live and work based on factors not the least of which is whether there is a good school system and a viable hospital. Having business and families choose to reside in our counties means increased tax revenue.

I would be happy to explain any of these items further or to answer any questions the committee may have.

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
516 North Main Street
Watford City, North Dakota 58854
(701) 842-3000

Email: dkelly@mchsnd.org

OIL INDUSTRY IMPACT ON REVENUE CYCLE

House Human Services Committee

January 27, 2015

McKenzie County
Healthcare Systems, Inc.

4

HB1458

Our Need To Thrive

- Population to triple in the next 15 years
- Healthcare is critical to a growing community
- Residents want and need healthcare closer to home

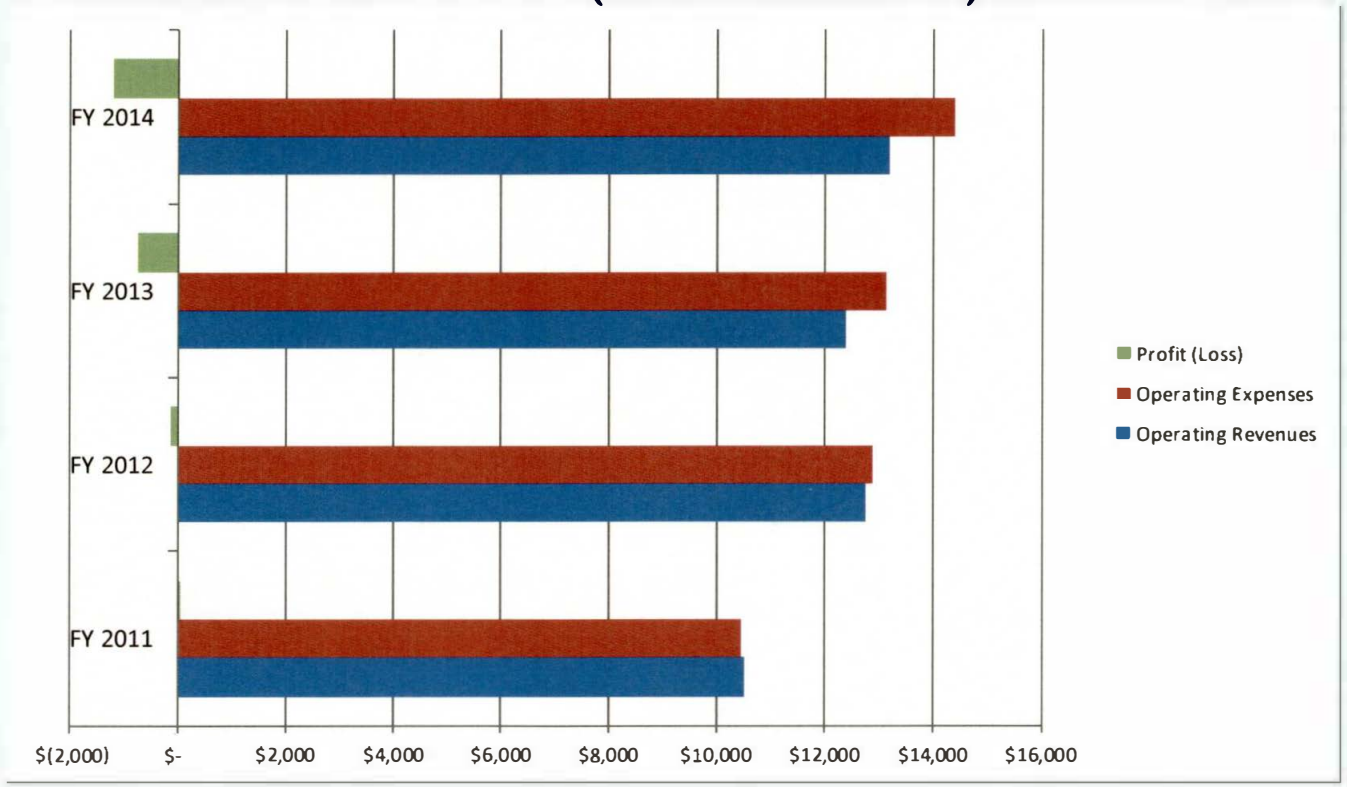
McKenzie County
Healthcare Systems, Inc.

Operational Issues

1. Wage pressures
2. Lack of affordable housing
3. Lack of affordable daycare
4. Astronomical increases in Emergency Room Visits
5. Increased use of locum providers and traveler staff
6. Increased Trauma and overall emergency room acuity
7. High turnover in business office and similar positions
8. Lack of properly trained business office staff
9. Mounting Bad Debt

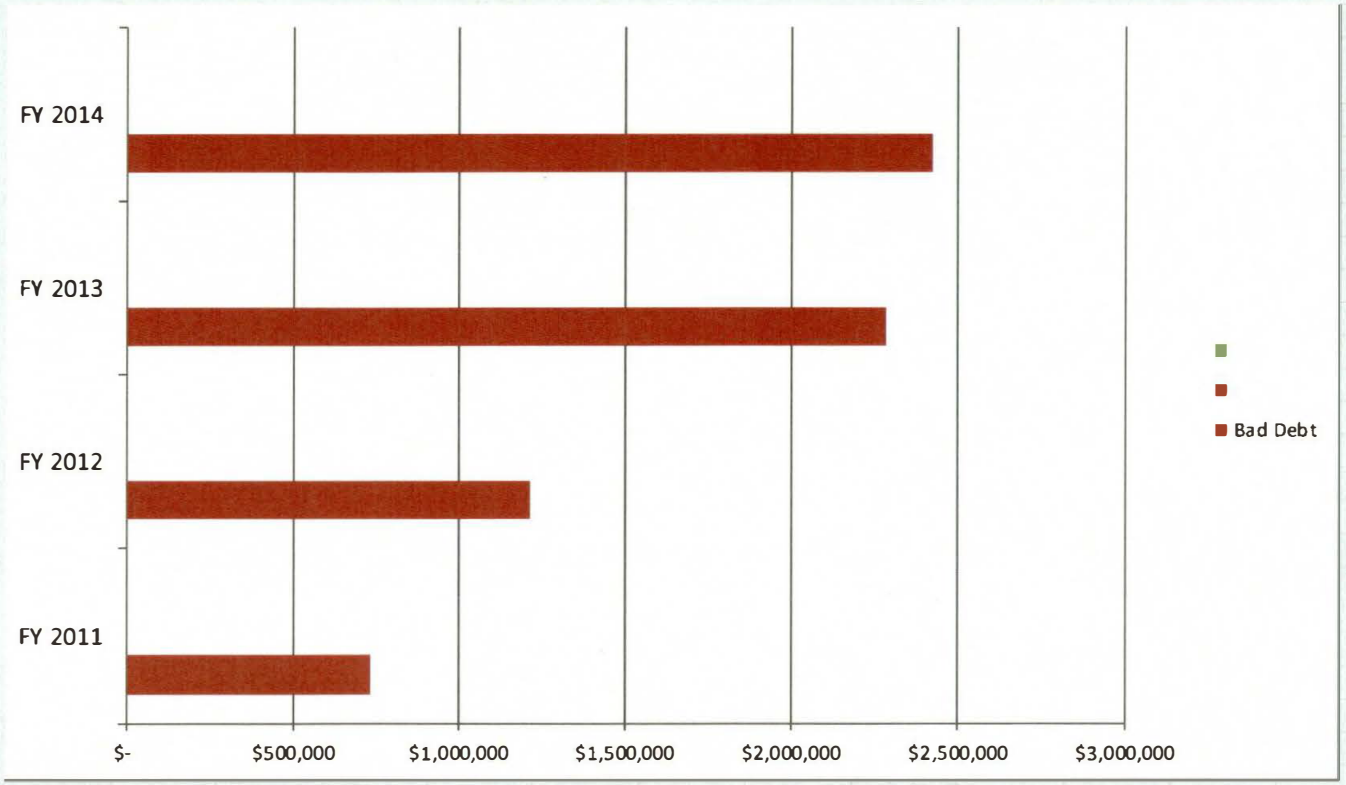
McKenzie County
Healthcare Systems, Inc.

Profit and Loss- FY 2011-FY 2014 (thousand)



McKenzie County
Healthcare Systems, Inc.

Bad Debt- FY 2011-FY 2014 (thousand)



McKenzie County
Healthcare Systems, Inc.

Trend is non-Sustainable

- Vast majority of bad debt was associated with emergency room care.
  - EMTALA
  - Changing community demographic

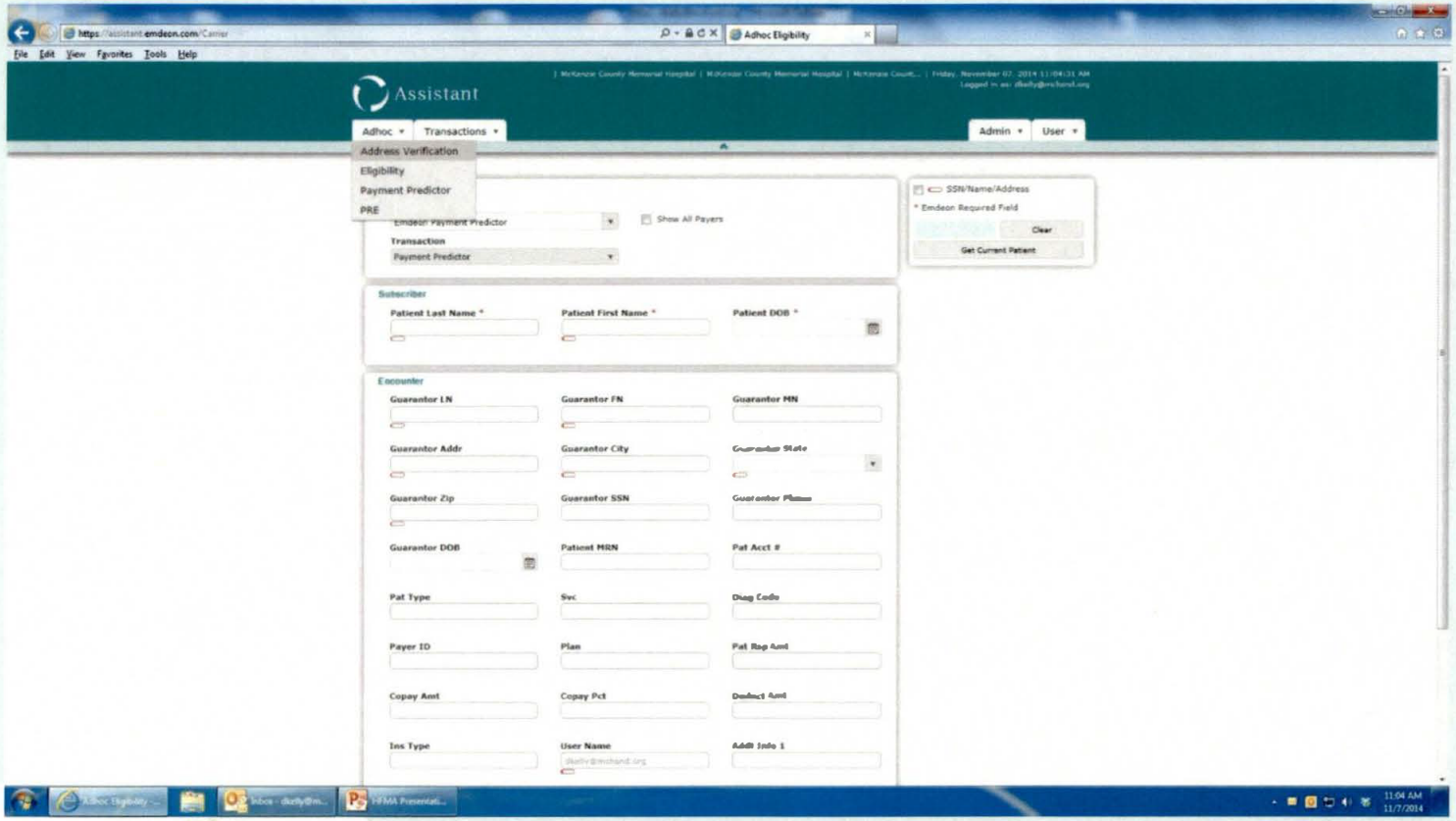
McKenzie County
Healthcare Systems, Inc.

Our Address of the Issue

- Implemented newer version of Emdeon
- Up front clinic and ancillary collections
- Outsourced coding, billing and collections
- Emergency Room collection once patient is assessed and stabilized

McKenzie County
Healthcare Systems, Inc.

Updated Emdeon



McKenzie County
Healthcare Systems, Inc.

Up front clinic and ancillary collections

Started up front collections in the clinic

Inconsistent results due to staff turnover

Approximately two months later we implemented up front collections for outpatient non-emergent services

McKenzie County
Healthcare Systems, Inc.

12

Emergency Room collection once patient is assessed and stabilized

Healthcare Happenings

An update from Dan Kelly, CEO of the McKenzie County Healthcare Systems, Inc.

The McKenzie County Healthcare System has incurred slightly more than $1,000,000.00 in bad debt write offs for services provided in our emergency room for the past nine months. This circumstance forces us to implement collection of payment from those persons using our emergency room. Once an individual has been assessed and stabilized the McKenzie County Healthcare Systems, Inc. will collect insurance copays and deductibles, as well as an initial deposit from self-pay patients.

To comply with federal and state regulations you will be assessed and stabilized by our emergency room provider. Once assessed and stabilized, our staff will request payment for your insurance copay or deductible. If you do not have verified insurance coverage an initial deposit of $500 will be charged prior to our provider proceeding to write prescriptions or provide additional services.

The McKenzie County Healthcare Systems, Inc. has received the following guidance from the Centers for Medicare & Medicaid.

The CMS EMTALA (Emergency Medical Treatment and Labor Act) Lead states:

If an individual presents to the ED and an MSE (Medical Screening Examination) is performed to determine either: 1) there is no EMC (Emergency Medical Condition) or 2) there is an EMC and stabilizing treatment has been provided, the CAH's [Critical Access Hospital] EMTALA obligation will have ended. The ED can then inquire about payment status, request payment, or direct the individual to another source for additional care...There are no obligations under the CAH CoPs (Conditions of Participation) after the EMTALA obligation has been fulfilled to continue providing services to outpatients.

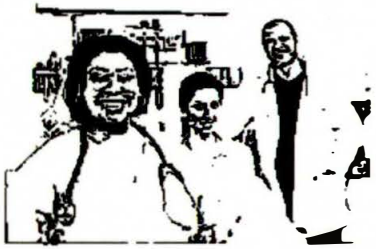
We regret having to implement this policy but the significant increase in non-payment of services threatens the future of this healthcare system.

McKenzie County
Healthcare Systems, Inc.

13

Emergency Room collection once patient is assessed and stabilized

EMERGENCY ROOM PAYMENT PROCESS



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McKenzie County
Healthcare Systems, Inc.

03-14

McKenzie County
Healthcare Systems, Inc.

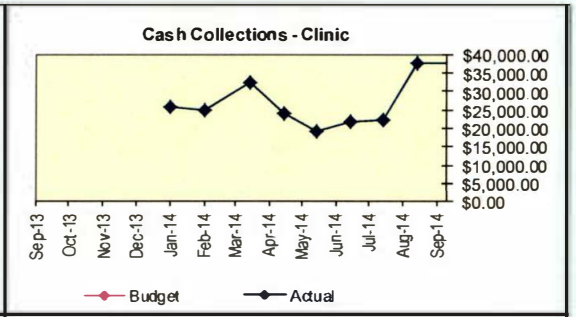
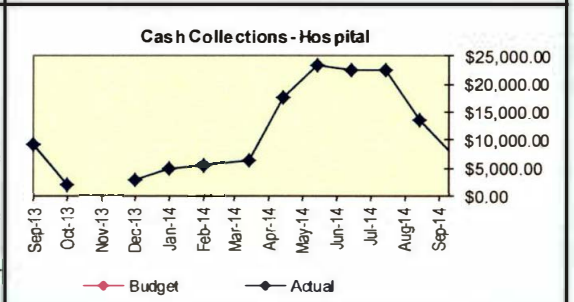
Outsourced

- Outsourced billing
- Outsourced collections
- Outsourced coding

- Our choice of vendor:
- HRG-**Healthcare Resource Group**

McKenzie County
Healthcare Systems, Inc.

Monitoring

Financial	**Cash Collections - Clinic** **Benchmark** > Budget Budget < Budget	**Aug** $37,694.00 **Sep** $37,798.00 **FY15 YTD** $97,583.00	**Measure/Analysis** A measure of the Clinic's upfront cash collections; includes copays and self-pay deposits. **Analysis/Notes:** Does not include amounts paid by third-party insurance. July was flat, but Aug went up substantially due to starting urgent care and revising our upfront collection policy for out-of-network insurances.	
Financial	**Cash Collections - Hospital** **Benchmark** > Budget Budget < Budget	**Aug** $13,509.00 **Sep** $7,217.00 **FY15 YTD** $43,119.20	**Measure/Analysis** A measure of the Hospital's upfront cash collections; totals taken from ER, Physical Therapy, and Outpatient (e.g. Lab, Radiology, etc.) upfront collection of copays/deposits. **Analysis/Notes:** Does not include amounts paid by third-party insurance. Part of the focus is on urgent care (and as such, upfront collections there) as another approach to this. To maximize ER upfront collections in the short-term, we would need to breakdown the collection process by insurance (in- or out-of-network), with differing collection amounts for different situations, as well as improve our identification of non-emergent cases. We are currently working on the non-emergent piece, and working on a process in the clinic that might eventually work in the ER to increase collections.	

McKenzie County
Healthcare Systems, Inc.

Suggestions

- Before implementing up front collections make certain the community understands the bad debt impact for the facility
- Educate the Board of Trustees and have their support
- Utilize newspaper articles
- Develop a brochure
- Have provider support
- Have nursing support
- Be vigilant in enforcing the procedure
- **Monitor!**

Watford City
a great place to call home!

Questions?

McKenzie County
Healthcare Systems, Inc.

#4

Testimony: HB 1458
Hospital Bad Debt
House Human Services Committee
January 27, 2015

Good morning Chairman Weisz and Members of the House Human Service Committee. I am Reed E Reyman, President of CHI St Joseph's Health in Dickinson, ND. I am here today in support of HB 1458 and ask that you give this bill a **Do Pass.**

In 2013 the 63rd Legislature passed HB 1358; Section 10 appropriated funds to the Department of Human Services for the purposes of administering a grant program for Critical Access Hospitals located in oil producing counties and contiguous counties to address the effects of oil and gas related activities, specifically the increased utilization by oil workers and their families in emergency rooms and outpatient departments in hospitals. This legislation has had a significant positive outcome for all the citizens in the eight county area surrounding Dickinson that use the Hospital.

As a recipient of these funds CHI St Joseph's Health was able to maintain financial stability and focus on updating and standardizing collection procedures. Patients without the means to pay for services are still frequenting our facilities and receiving services, however, this legislation has provided funding and time to try and alleviate some of the burdens associated with an increasing population base.

As we enter a time of Oil and Energy economic slowdown and as workers are beginning to lose jobs and much needed insurance coverage, the need for healthcare services is still increasing. Our next dilemma is, increased healthcare needs and more and more, under or uninsured and unemployed patients coming in for services. This legislation will be more needed if the Energy Boom slows then when it was in motion.

Again the criteria are: the hospital has to be in an oil producing county or a contiguous county and have a bad debt greater than 2.7%. The deadline for applications was December 1, 2014.

The Department of Human Services receives the applications and verifies the numbers. Once this has been completed checks will be mailed.

HB 1458 is a continuation of this process. CHI St Joseph's Health has made changes to our internal collection processes; however, we are still inundated with workers and their families utilizing our services. We are required by **EMTALA, Emergency Medical Treatment and Active Labor Act,** to assess, treat and stabilize each and every patient that comes in to the emergency room before inquiring about payment. Patients from all walks of life know and utilize this act to their advantage; thereby, creating a no win situation for hospitals and leaving the hospitals with a bad debt problem.

I ask that you support HB 1458 and recommend a **Do Pass.** Thank you.

Respectfully Submitted,

Reed E Reyman, President
CHI St Joseph's Health
Dickinson, ND

#5

HB 1458 Testimony ~ House Human Services Committee
Tioga Medical Center, Tioga ND
Randall Pederson, President/CEO
January 27, 2015

My name is Randall Pederson and I am the President/CEO of Tioga Medical Center, Tioga ND. We are located in eastern Williams County. Our Medical Center consists of a 25 Bed Critical Access Hospital, a 30 bed Skilled Nursing Facility, three Rural Health Clinics located in Tioga, Ray and Powers Lake ND, and a 22 unit Independent Living Unit.

First of all, I would like to thank the North Dakota legislature for approving grant funding through HB1358 for hospitals/clinics during the 2013 legislative session. The amounts received or will receive over the last two years for Tioga Medical Center has greatly helped us with paying our vendors and employees.

I wish I could stand here this morning and tell you that we no longer have bad debt, but I can't. We still have issues with collecting payment from patients to whom we provide services. Although we have implemented up-front collection policies/practices in our clinics and hospital, the amount of bad debt that we incurred during FY2014 increased more than double that what we experienced in FY2013. We have hired an in-house collector to contact patients whose bills have been returned by the United States Postal Service and to discuss payment options with patients. Just yesterday, we received 30 notices from the USPS of address updates for patients on bills that we have sent out notifying us of a new address.

As part of HB1358 funding received in the last legislative session, a product called Emdeon was purchased by the hospital association to allow hospitals to get better addresses and insurance information. While that has resulted in some benefit to us, the information that we receive from them in regards to patient addresses is mostly the same bad address that the patients have given to us.

We have, however, become more aggressive by using collection agencies to assist us with trying to collect the amounts due by the patients. This has paid off for us in that the collection agencies have more tools at their disposal to track down patients. We have been able to collect through our collection agency amounts that we have been trying to collect in-house for months.

Although this is not unique to oil impacted hospitals and clinics, I feel that one of the major problems that hospitals and clinics now face is the patients and companies are opting to change insurance plans to higher deductible/out of pocket plans as they try to reduce costs. While it's nice for patients to have a lower premiums deducted from paychecks or bank accounts, the amount of the higher deductibles/out of pocket amounts are not necessarily planned for by patients and now they find themselves owing for services that were paid by the insurance companies in the past.

We pride ourselves at Tioga Medical Center by providing quality healthcare to patient and are willing to work with patients who are willing to work with us. Our mission statement remains the same..."The mission statement of Tioga Medical Center is to address the health care needs of

the community through providing quality health care and promoting education and wellness." It does become a challenge, however, to meet our mission without payment for the services that we provide to patients.

I ask you for your support for HB 1458 to continue grant funding for hospitals/clinics affected by the amount of bad debt being experienced in western North Dakota.

Respectfully submitted,

Randall K. Pederson, President/CEO
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Tioga ND 58852-0159
(701) 664-3305
rpederson@tiogahealth.org