

Kasich's plan taps hospitals' Medicaid boon



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Gov. John Kasich's budget calls for shrinking state Medicaid reimbursement to hospitals by \$500 million during fiscal 2014 and 2015.

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Ohio's 167 hospitals would get \$1 billion more over the next two years as part of a federally funded expansion of the state's Medicaid program, according to state projections.

That's on top of \$627 million in additional Medicaid money that hospitals are expected to receive during that two-year period as uninsured Ohioans "emerge from the woodwork" to comply with the federal health-care overhaul's mandate that they have health-care coverage.

But if Gov. John Kasich has any say in the matter, hospitals also will take some hits on Medicaid-reimbursement rates.

Kasich's budget calls for shrinking state Medicaid reimbursement to hospitals by \$500 million during fiscal 2014 and 2015. Those reductions would come in part through ending temporary Medicaid rate increases paid to hospitals, renewing efforts to ensure hospitals aren't overpaid for certain care, and cutting the rate at which taxpayers subsidize hospital construction.

That subsidy is too much, said Greg Moody, director of the governor's Office of Health Transformation. The proposed budget would cut the reimbursement rate from 100 percent to 85 percent of cost.

"Frankly, that subsidy may encourage building when we may or may not need the additional beds," Moody said. "We want institutions to think very carefully before they build (space for) new beds."

The Ohio Hospital Association called Kasich's overall budget a "cause for alarm," though hospitals said they're glad Kasich sided with them in backing a Medicaid expansion.

During the previous round of budget deliberations for fiscal 2012 and 2013, Ohio's hospitals agreed to pay higher "franchise fees" to the state that hospitals later recoup after the money is used to qualify for federal matching dollars. They also saw their Medicaid payments cut by about \$400 million during fiscal 2012-13 — cuts that would remain in place in the fiscal 2014-15 budget — though state officials say that, as a group, hospitals were made whole by revenue secured through the use of franchise fees.

Although a Medicaid expansion would reduce the charity-care burden that nonprofit hospitals shoulder in return for their tax-exempt status, hospitals are reimbursed 77 cents per \$1 of cost they incur in providing care under the program.

"While expansion definitely helps, Medicaid is still reimbursing less than the cost of care," said Jonathan Archey, the association's director of government affairs. In central Ohio, 16.7 percent of revenue at Ohio State University's hospital system came from Medicaid in fiscal year 2011, compared with 15 percent at OhioHealth and 9.7 percent at Mount Carmel Health System. Unlike the Medicaid expansion, the state will bear much of the cost associated with the health-care overhaul's "woodwork" effect. Moody said hospitals emerged largely unscathed from the last round of budget talks when the state worked to close an \$8 billion budget shortfall. This time around, he said, hospitals must make some sacrifices.

Despite those sacrifices, the state forecasts that hospitals would receive \$10 billion in Medicaid reimbursement over the next two years, a 21 percent increase over the baseline thanks mostly to the Medicaid expansion. Central Ohio hospitals that serve primarily adults would not estimate how much more Medicaid money they would receive through an expansion, citing too many unknowns.

The Medicaid expansion won't make more low-income families with kids eligible for coverage, so children's hospitals expect minimal impact. Arthur G. James Cancer Hospital officials said they expect to take a "significant hit" from proposed changes in Medicaid reimbursement. Traditionally, certain hospitals like the James have been reimbursed at 100 percent of cost because of the complicated nature of their care, but

Kasich's budget proposed to cut that to 90 percent of cost. The hospital expects to lose \$8 million to \$10 million annually, said Jeff Ellison, administrative director of finance for Ohio State University's hospital system. Those preliminary numbers are being reconciled with state estimates that suggest a smaller impact.

Moody said the state also wants to reallocate money long term for medical education — less for subsidizing the training for lucrative medical specialties and more to help train primary-care physicians and recruit minorities into the health professions.

Ohio's Medicaid expansion would be especially beneficial to hospitals that care for a disproportionate share of low-income patients, said Lisa Goldstein, associate managing director of Moody's nonprofit health-care ratings. As part of the health-care overhaul, those hospitals will see a significant reduction in special Medicare and Medicaid payments from the federal government.

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