Coffeyville Regional Medical Center
www.crmcinc.org

March 14, 2017

To: House Health and Human Services Committee

From: Dr. Mark Woodring, FACHE
Chief Executive Officer

Date: March 14, 2017

Re: HB 2065

Thank you for the opportunity to provide testimony in opposition to HB 2065. As the CEO of Coffeyville Regional Medical Center (CRMC), which is one of the few, remaining municipal hospitals in Kansas, and as a graduate of the University of North Carolina's doctoral program in health policy and administration, I have several questions about the current language in this bill; and if implemented, concerns, both short and long term, related to policy implications for our state's hospitals and communities it may have been intended to help. **Opportunities exist for more transparency, communication, and collaboration on this bill.**

To put into context, after the recent hospital closure in Independence, CRMC is the only hospital located in Montgomery County, which ranks 100 out of 101 in overall health outcomes in Kansas according to *countyhealthrankings.org*. We have high rates of poverty, unemployment, and face headwinds in regards to socioeconomic determinants of health in our patient population. We have been working very closely with the Kansas Health Collaborative to transform our physician practices to prepare for value-based reimbursement and patient-centered care, and have recently been awarded a small grant from KDHE for a start-up program to work outside the hospital walls with our at-risk patient population, many of whom struggle with multiple chronic diseases. We appreciate all the attention and support of our work in southeast Kansas, particularly with a declining population, eroding tax base, and influx of uninsured patients seeking medical attention at CRMC since October 2015 when Mercy closed their hospital in Independence.

Outcomes related to that closure was a near doubling of our charity care provided at our hospital in 2016, as well as a 60% increase in our bad debt. Our Coffeyville citizens rallied by passing a 0.5% sales tax to help fund essential services in Coffeyville, and we significantly reduced operating expenses, to maintain positive cash flow. Despite our financial headwinds, we have made significant strides in improving quality at our organization, recently being nominated for a statewide Leadership in Quality Award, as well as national recognition at the American Hospital Association Rural Health Leadership Conference as 1 of 15 hospitals presenting for our performance improvement work.

However, because Montgomery County is categorized at the state level as "Semi Urban", we were not exempted from the 4% Medicaid payment reduction as other rural hospitals were, which resulted in a negative impact to our operation in excess of $300,000 annualized. Most rural hospitals in Kansas receive special payment consideration at state and national levels, with programs like "Critical Access Hospital" status that CRMC is not eligible for, and exemptions from the Medicaid cuts. Hospitals in larger communities and urban areas in Kansas benefit from a more balanced payor mix, i.e. less Medicare and Medicaid patients paying less than the cost of service, and more commercial paying patients to offset the operating loss. Our academic medical centers and children's hospitals receive significant levels of research funding, and have very large and prosperous philanthropic foundations to

build from. These are all commendable enterprises, and in Coffeyville we don't begrudge these hospitals their successes and benefits. CRMC simply is a rural safety net provider that does not have the built-in advantages of other Kansas hospitals, so any proposed payment reductions or increased assessments are studied rigorously as they hinder our ability to fulfill our mission of providing quality healthcare to all patients and families.

On any given day, approximately 80% of our patients are Medicare, Medicaid, or Charity Care, resulting in reimbursement that is less than our cost for most of what we do. CRMC thus operates very efficiently, and with our high quality scores, provides tremendous value to all payors. **Data shows CRMC has one of the lowest Medicare spending per beneficiary levels in the nation.** However, without long-run payment reform, given our market demographics, our service levels to our community will be unsustainable. HB 2065 further exacerbates, and accelerates, our reimbursement problems it may be intending to help fix:

1) The language change in the distribution of the funds from "not less than 80%" to "not more than 80%" to Kansas hospitals can have significant potential consequences, and allows the possibility of little or no assessment money going back to the hospitals.
2) The bill does not indicate how the money would be used, and the fiscal note on the bill reflects a State General Fund savings of $20.3 million.
3) It is not clear how the assessment increases and rates were determined. A smaller increase would be necessary to restore the governor's 4% cut at CRMC. At the proposed rate, CRMC would be paying an estimated $100,000 more than necessary, assuming federal Medicaid dollars are matched at current levels, which may be subject to change given proposed American Health Care Act reforms.

It is an exciting, yet challenging and uncertain time, to be in healthcare. I believe it is imperative that policymakers, healthcare providers, and our diverse communities and patient populations set politics aside and align our efforts to establish clear, common goals on what a healthier Kansas looks like, and I am very encouraged by the progress made this session, Mr. Chairman, allowing open debate, discussion, and hearings on these and related health policy matters.

Thank you again for the opportunity to present testimony to your committee in opposition of HB 2065, and for your support in making healthcare in Kansas better for everyone. It is my understanding the Kansas Health Care Access Improvement Panel was not consulted on HB 2065, and collaborating more closely with Kansas hospitals on future legislation can help provide more transparency to our patients and the public on these issues.

Respectfully,

Dr. Mark Woodring, FACHE