

February 18, 2002

**TO: Members, Joint Committee on Finance**

**FROM: Eric Borgerding, Vice President of Govt. Affairs, WHA  
Matt Sande, Director of Legislation, WHA**

**RE: 2002 Special Session AB 1 / Medicaid Funding**

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Special Session Assembly Bill 1 exempts "high-priority" programs from across-the-board budget reductions, including Medical Assistance (MA) and BadgerCare. It preserves MA provider reimbursement rates at current levels. The Wisconsin Health and Hospital Association (WHA) strongly urges you to maintain the MA health care safety net by protecting provider reimbursement rates under the program. Please consider the following:

***Wisconsin Hospitals Near Bottom Nationally in Medicaid Funding:***

There are 123 hospitals in Wisconsin participating in the MA program. Wisconsin ranks 44<sup>th</sup> in the nation in MA reimbursement to hospitals, covering only 78 percent of costs. (See chart #1 attached) Consequently, Wisconsin hospitals lose \$146 million dollars every year treating MA patients, which translates to an average negative 30 percent MA "profit" margin.

***Public Underpayment Forces Hospitals to Cost-Shift to Private Sector:***

Despite Medicare and Medicaid under funding of Wisconsin hospitals, they continue to maintain their safety net. However, public underpayment forces hospitals to shift costs onto private commercial insurers thus increasing health insurance premiums. Ultimately, the average health consumer is hurt by this "hidden tax." (See chart #2 attached)

***Medicaid Cuts Leave Federal Matching Funds on the Table:***

Importantly, state Medicaid expenditures draw down federal matching dollars. For every Medicaid dollar the state cuts, Wisconsin will lose \$1.50 in federal matching funds, magnifying the impact on the state's economy and on hospitals' financial status. The state of Wisconsin needs to do all it can to retrieve more of our residents' federal tax dollars: State MA expenditures are an excellent way of accomplishing this goal.

***Rural Hospitals Vulnerable to Medicaid Cuts:***

The Medicaid Outpatient Hospital Program remains in poor condition, despite increased payments included in the biennial budget. While health care has modernized toward the outpatient setting, the state Medicaid program has not kept pace. This public underpayment threatens the delivery of quality health care in a growing, more cost effective and less restrictive service setting. The ability of hospitals to expand or even maintain quality outpatient services, especially in medically underserved rural areas of the state, would clearly be jeopardized by drastic cuts in Medicaid payments.

The current economic environment should compel us to not only maintain, but also strengthen, the health care safety net for our most vulnerable citizens. Thank you for your consideration and leadership during this difficult time.



Wisconsin Health &  
Hospital Association, Inc.

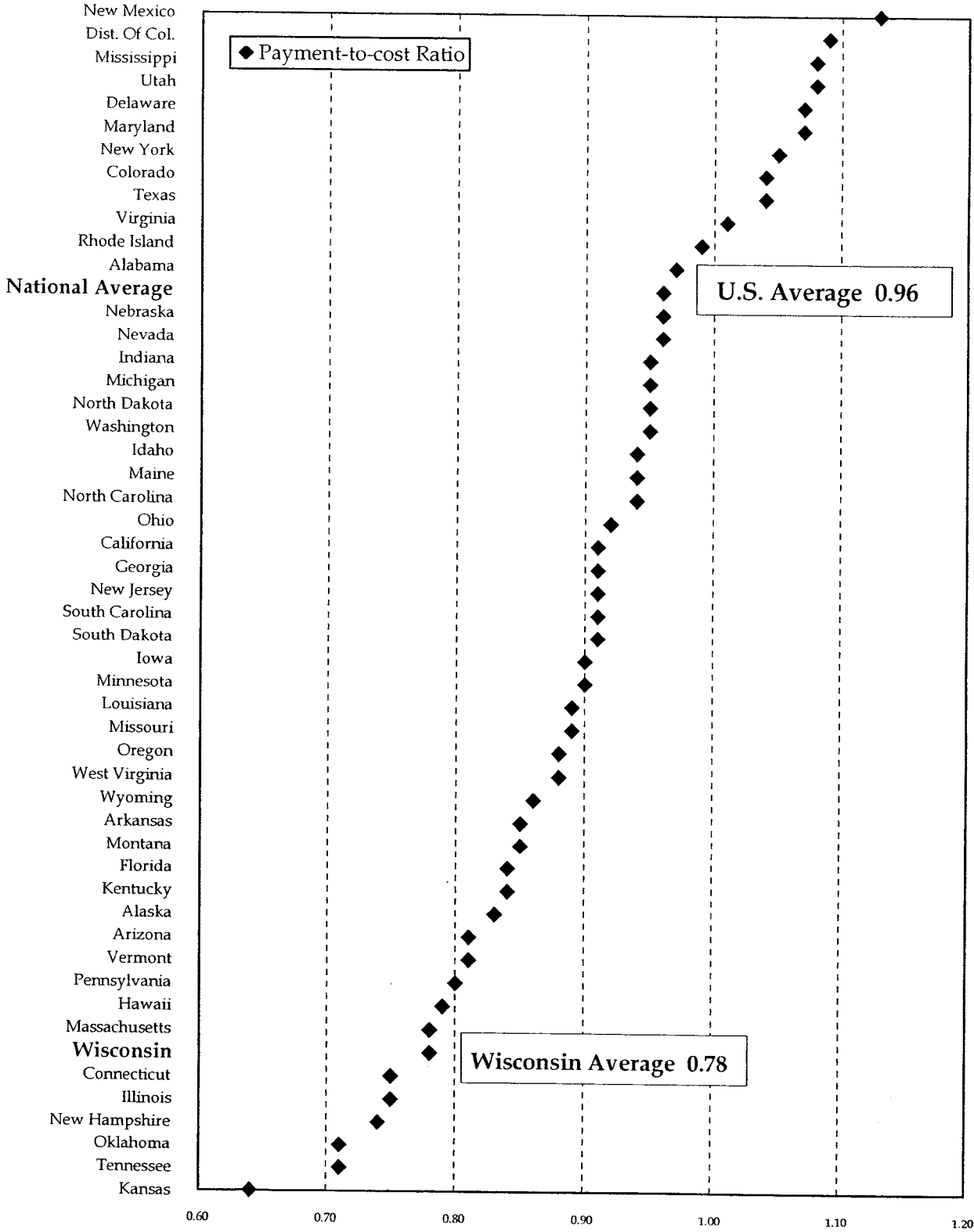
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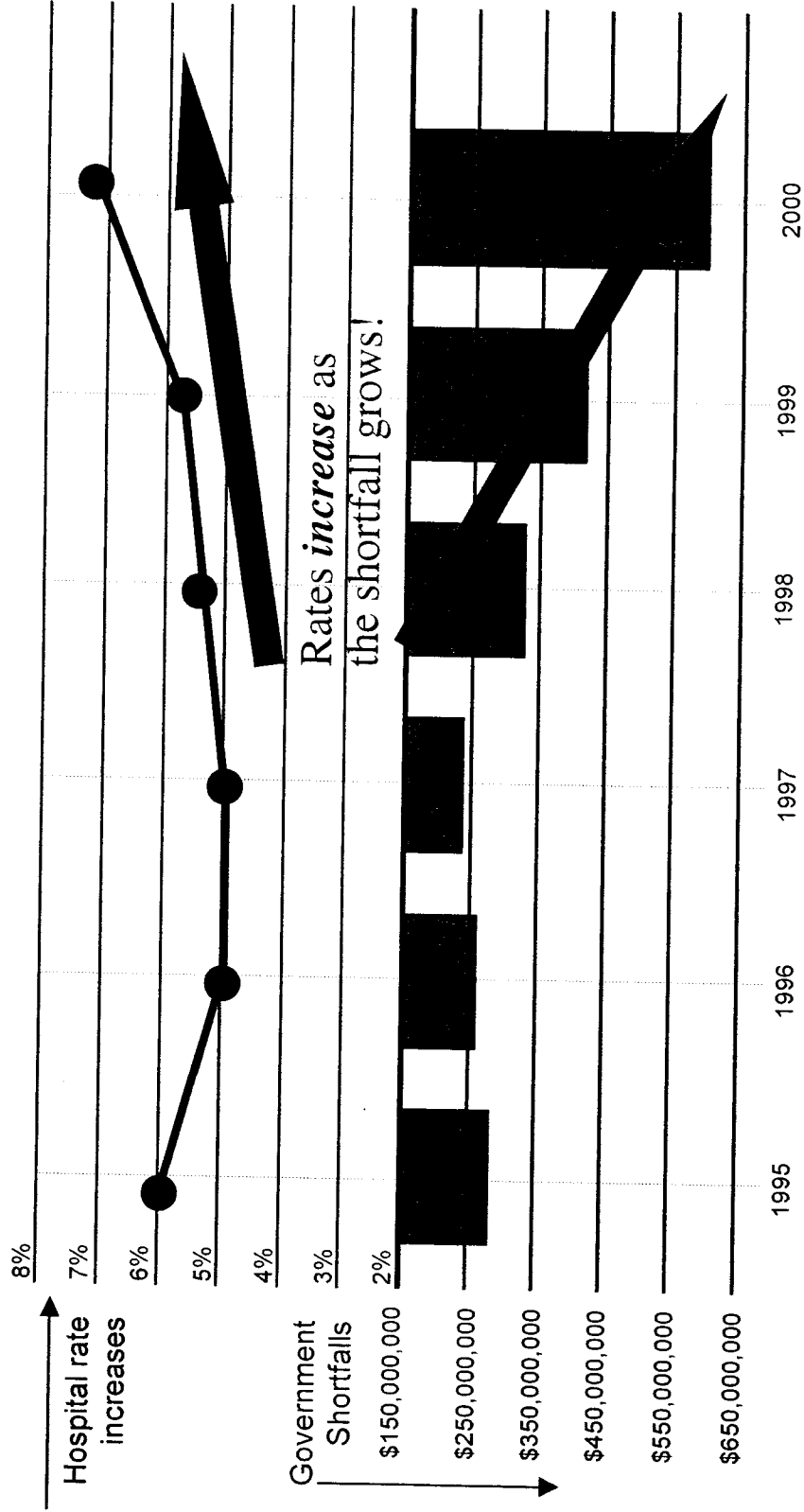
# 1999 Aggregate Hospital Payment-to-cost Ratios Medical Assistance Program



Source: Lewin Group Analysis of the AHA Annual Survey Data

# A Very Close Relationship

Government Payer Shortfalls Mean Higher Hospital Rate Increases



Source: Wisconsin Bureau of Health Information; WHA Analysis

Prepared by: Wisconsin Health and Hospital Association, 2002