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Opening Statement before the
Council of the District of Columbia
Committee on Health
at
the Department of Health Care Finance FY 2010 Budget Hearing

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Presented by
Robert A. Malson
President
April 3, 2009

Chairman Catania and members of the Committee on Health, I am Robert A. Malson, President of the District of Columbia Hospital Association (DCHA). DCHA members employ approximately 30,000 people who are on the front lines for delivering quality health care and for responding to any medical emergency in the District of Columbia. We provide over one million days of patient care annually with an annualized occupancy rate of approximately 75 percent. In our private hospitals, the emergency room visits exceed 389,000 and, collectively, we provide over \$200 million in unsponsored care annually. Clearly, we play a critical role in the District's health care delivery system.

Thank you for allowing me the opportunity to testify regarding the proposed fiscal year 2010 budget for the Department of Health Care Finance. DCHA member hospitals understand and appreciate the difficult financial position the failing economy has placed the District in and want to be as helpful as reasonably possible. We fully support the Department's plans to maximize the use of federal dollars to free up local funds that can be used to offset the budget deficit. The Department's efforts to move 4,528 people from the Alliance program to the Medicaid program, allowing the District to obtain federal match funds to local dollars invested in providing care to those who would otherwise be uninsured, is a smart decision.

However, we ask the Committee to consider the impact of this economy on the hospitals as well. In December 2008, Moody's Investors Service reported a sharp rise in bond rating downgrades for not-for-profit hospitals, citing the negative effects of a rapidly weakening economy, restricted access to capital and investment losses.

Moody's further reported a softening of hospital revenues caused, in part, by increased charity care and bad debt expense due to rising unemployment.

As the District's unemployment rate continues to rise, the Department's plan to reallocate \$25 million in disproportionate share hospital (DSH) funds to achieve the goal of decreasing the number of Alliance participants should be reconsidered in light of the impact such a reallocation would have on the District's hospitals. The Alliance Program provides a valuable service, but its reimbursement rates are inadequate. The argument that existing DSH allocations were established during a time when the District's hospitals provided much higher levels of uncompensated care does not take into account that the amount of uncompensated care the hospitals provide has not decreased significantly and still amounts to over \$200 million annually.

The argument that the existing DSH allocations were established when the District did not have programs such as the Alliance for the uninsured does not take into account the actual costs hospitals incur in providing care to Alliance members. In fiscal year 2007 alone, the difference between the actual cost of care to Alliance patients and the amount the District reimbursed the hospitals was more than \$15 million.

Without the availability of a fully formed state plan amendment describing the new allocations, it is difficult to determine which individual hospitals would be hardest hit by the proposed reduction in DSH dollars. We support the move to increase the number of patients on Medicaid, as opposed to the Alliance program, but the funding source needs to be further investigated and an impact analysis completed. Mr. Chairman, we ask that you accept our testimony today in support of the Department's

overall goal to maximize federal dollars and leave the record open so that we may further comment once the state plan amendment is completed.

Mr. Chairman, we continue to be supportive of Dr. Hudman's and the Department's efforts and are eager to work with the District to develop ways to implement cost saving measures and improve programs. We welcome the opportunity to answer your questions.