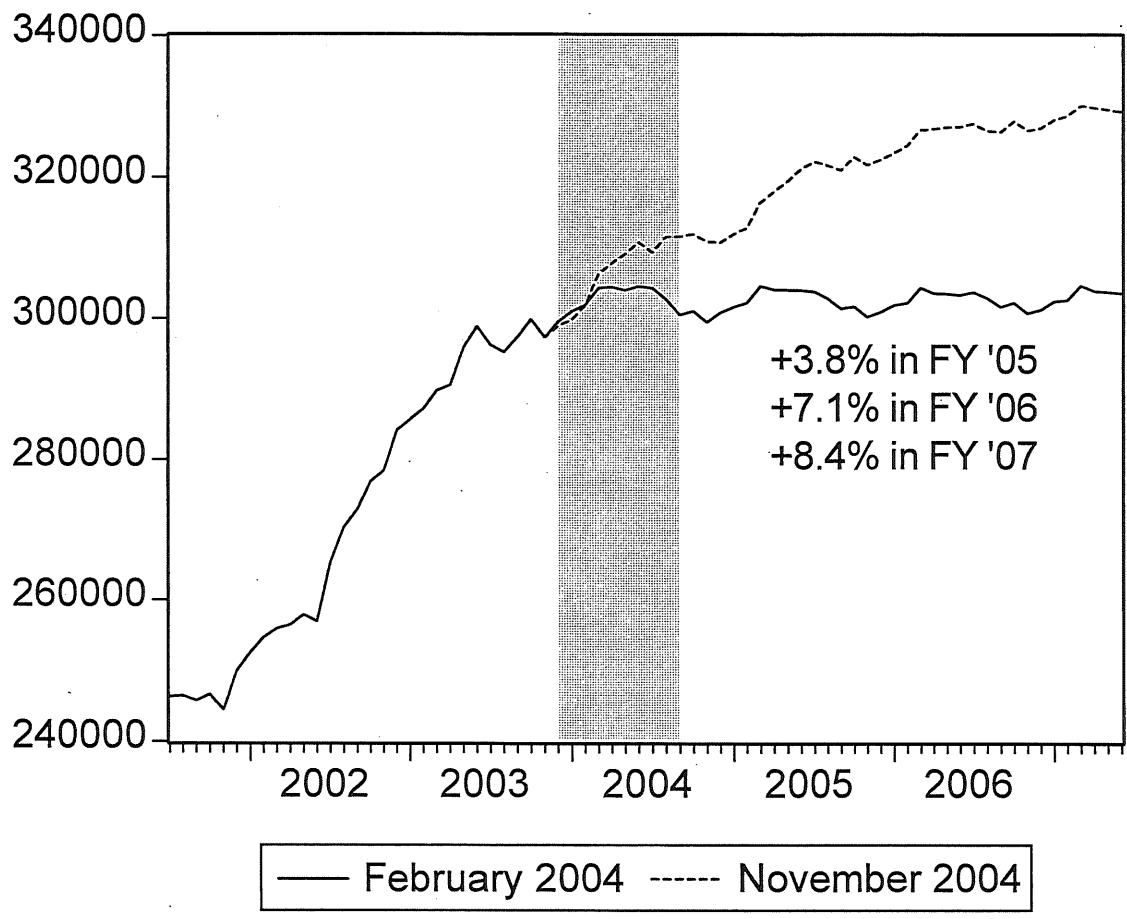
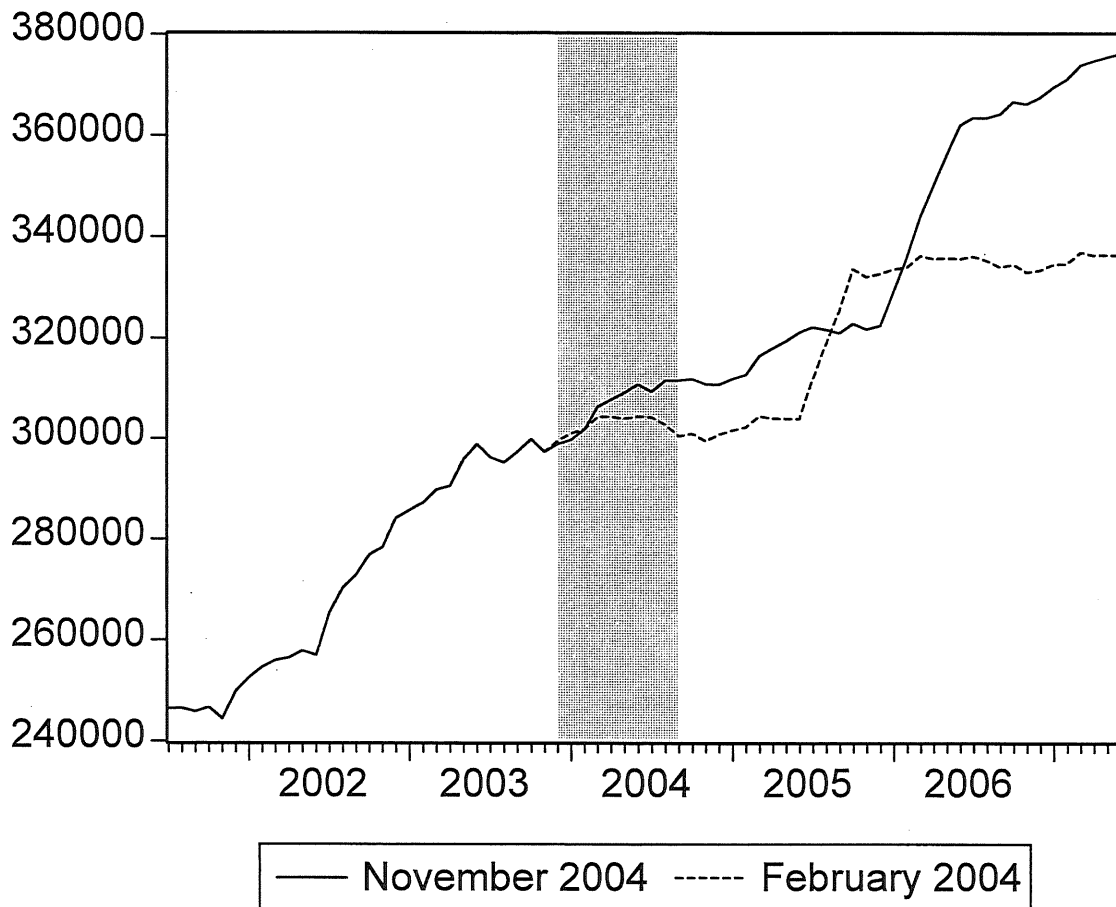


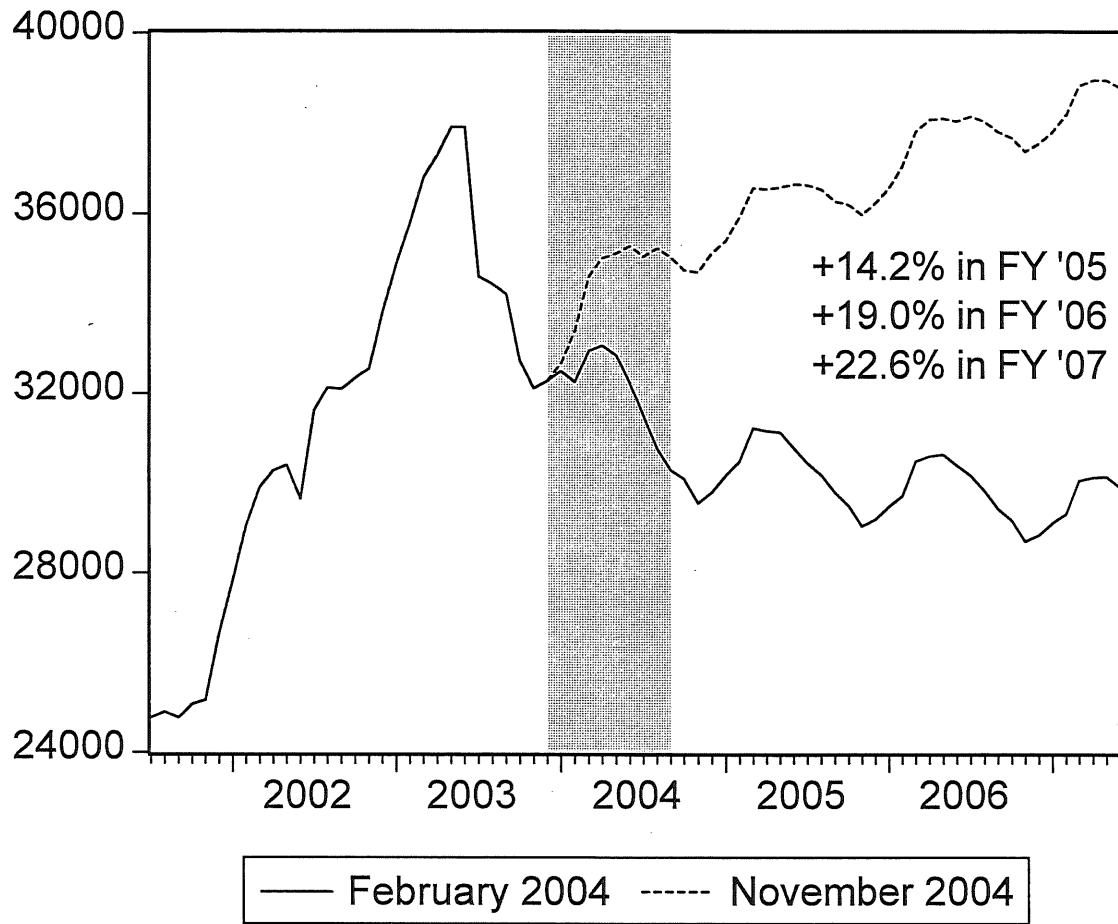
MA Children and Parents Enrollment With No MinnesotaCare Shift



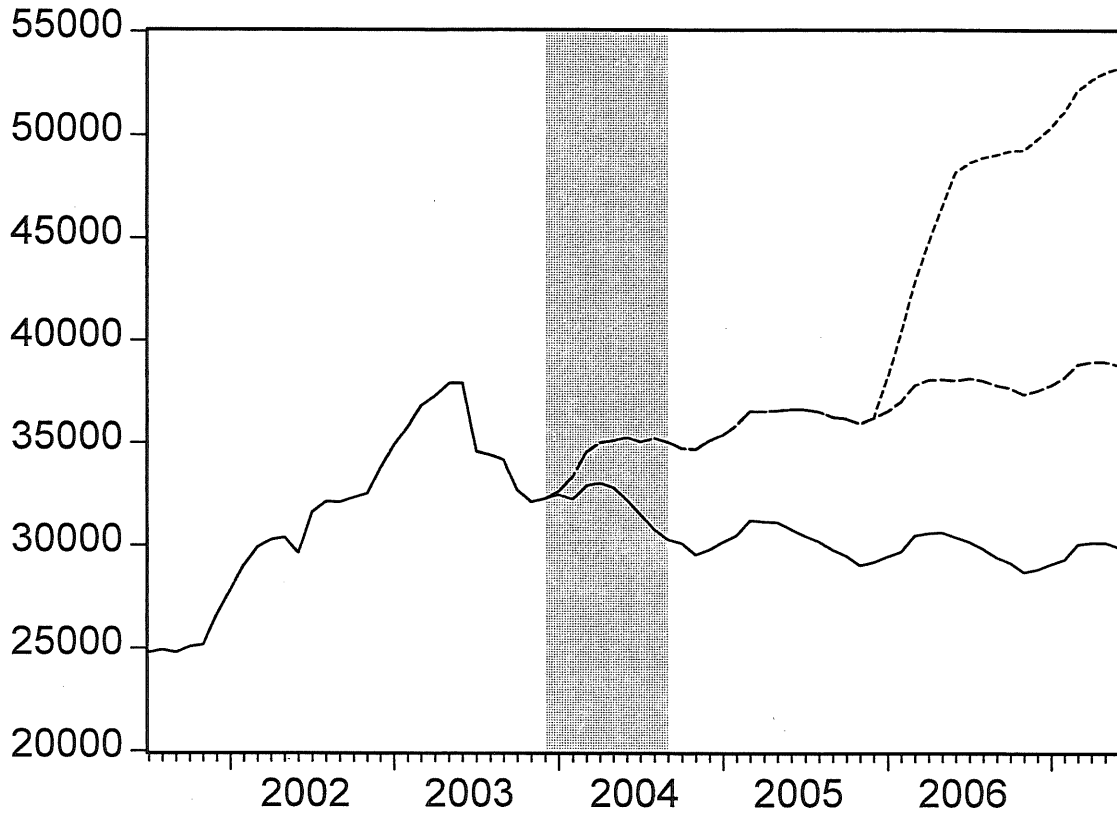
MA Children and Parents Enrollment With Shift from MinnesotaCare



GAMC Enrollment With No Shift from MinnesotaCare



GAMC Enrollment With Shift from MinnesotaCare



— Feb 2004
- - - Nov 2004 with Shift
- - - Nov 2004

**Shift of Families with Children
November 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(10,179)	10,179
FY 2007	(41,322)	41,322
FY 2008	(47,136)	47,136
FY 2009	(48,117)	48,117
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(11,555,288)	10,870,062
FY 2007	(70,218,679)	64,229,506
FY 2008	(91,478,850)	84,367,714
FY 2009	(106,557,293)	95,879,550

**Shift of Families with Children
February 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(27,944)	27,944
FY 2007	(32,290)	32,290
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(54,812,133)	44,574,198
FY 2007	(75,751,786)	57,511,730

**Shift of Families with Children
Difference from February 2004**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	17,764	(17,764)
FY 2007	(9,032)	9,032
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	43,256,845	(33,704,136)
FY 2007	5,533,107	6,717,776

Note: MinnesotaCare savings are greater than MA costs because reduced FFP is assumed for the MinnesotaCare waiver in FY 2006 to FY 2009: 49% in '06; 48.5% in '07; 47.5% in '08; 46% in '09.

**Shift of Adults with No Children
November 2004 Forecast**

	MinnesotaCare	GAMC
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(2,920)	2,920
FY 2007	(12,443)	12,443
FY 2008	(14,822)	14,822
FY 2009	(15,518)	15,518
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(9,665,893)	11,069,114
FY 2007	(60,492,566)	68,907,665
FY 2008	(80,300,728)	91,269,747
FY 2009	(95,160,086)	107,951,454

**Shift of Adults with No Children
February 2004 Forecast**

No shift was assumed.

**Shift of Adults with No Children
Difference from February 2004**

	MinnesotaCare	GAMC
	Average Enrollees	Average Enrollees
FY 2005	0	0
FY 2006	(2,920)	2,920
FY 2007	(12,443)	12,443
	State Share Costs	State Share Costs
FY 2005	0	0
FY 2006	(9,665,893)	11,069,114
FY 2007	(60,492,566)	68,907,665

Note: A 12% higher cost is assumed in GAMC because of difference in the benefit set.

**Families with Children
Enrollment Projections With Shift
November 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,225	301,473
FY 2004	114,622	320,667
FY 2005	110,654	335,882
FY 2006	100,167	358,658
FY 2007	69,587	395,949
FY 2008	64,901	402,696
FY 2009	66,251	403,804

**Families with Children
Enrollment Projections With Shift
February 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,229	301,473
FY 2004	116,194	319,940
FY 2005	118,627	317,053
FY 2006	91,944	347,801
FY 2007	88,877	352,597

**Families with Children
Enrollment Projections With Shift
Difference from February 2004**

	MinnesotaCare	Medical Assistance		
	Average Enrollees	Average Enrollees		
FY 1997	(0)	0		
FY 1998	(0)	0		
FY 1999	(0)	0		
FY 2000	0	0		
FY 2001	(0)	0		
FY 2002	0	0		
FY 2003	(4)	0		
FY 2004	(1,572) -1.4%	727 0.2%		
FY 2005	(7,973) -6.7%	18,829 5.9%		
FY 2006	8,222 8.9%	10,857 3.1%		
FY 2007	(19,290) -21.7%	43,352 12.3%		

**Families with Children
Enrollment Projections Without Shift
November 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,225	301,473
FY 2004	114,622	320,667
FY 2005	110,654	335,882
FY 2006	110,346	348,479
FY 2007	110,909	354,627
FY 2008	112,036	355,560
FY 2009	114,368	355,686

**Families with Children
Enrollment Projections Without Shift
February 2004 Forecast**

	MinnesotaCare	Medical Assistance
	Average Enrollees	Average Enrollees
FY 1997	88,339	295,216
FY 1998	91,493	269,504
FY 1999	92,651	250,538
FY 2000	94,647	244,121
FY 2001	103,647	250,196
FY 2002	114,744	265,846
FY 2003	120,229	301,473
FY 2004	116,194	319,940
FY 2005	118,627	317,053
FY 2006	119,888	319,858
FY 2007	121,167	320,307

**Families with Children
Enrollment Projections Without Shift
Difference from February 2004**

	MinnesotaCare	% Change	Medical Assistance	% Change
	Average Enrollees		Average Enrollees	
FY 1997	(0)		0	
FY 1998	(0)		0	
FY 1999	(0)		0	
FY 2000	0		0	
FY 2001	(0)		0	
FY 2002	0		0	
FY 2003	(4)		0	
FY 2004	(1,572) -1.4%		727 0.2%	
FY 2005	(7,973) -6.7%		18,829 5.9%	
FY 2006	(9,542) -8.0%		28,621 8.9%	
FY 2007	(10,258) -8.5%		34,319 10.7%	

**Adults with No Children
Enrollment Projections With Shift
November 2004 Forecast**

	MinnesotaCare Average Enrollees	Gen. Assistance Med. Care Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,233	37,340
FY 2004	33,717	34,873
FY 2005	34,489	37,122
FY 2006	33,546	41,591
FY 2007	25,256	52,897
FY 2008	23,377	55,826
FY 2009	22,840	56,443

**Adults with No Children
Enrollment Projections With Shift
February 2004 Forecast**

No shift from MinnesotaCare to GAMC was projected in the February 2004 forecast.

**Adults with No Children
Enrollment Projections With Shift
Difference from February 2004**

**Adults with No Children
Enrollment Projections Without Shift
November 2004 Forecast**

	MinnesotaCare Average Enrollees	Gen. Assistance Med. Care Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,235	37,340
FY 2004	33,717	34,873
FY 2005	34,489	37,122
FY 2006	36,467	38,671
FY 2007	37,699	40,453
FY 2008	38,199	41,004
FY 2009	38,358	40,925

**Adults with No Children
Enrollment Projections Without Shift
February 2004 Forecast**

	MinnesotaCare Average Enrollees	Gen. Assistance Med. Care Average Enrollees
FY 1997	7,890	38,428
FY 1998	10,208	31,113
FY 1999	13,900	26,794
FY 2000	18,727	23,347
FY 2001	23,553	24,592
FY 2002	28,966	29,886
FY 2003	34,235	37,340
FY 2004	34,083	35,212
FY 2005	36,296	31,777
FY 2006	38,376	31,105
FY 2007	39,803	30,686

**Adults with No Children
Enrollment Projections Without Shift
Difference from February 2004**

	MinnesotaCare Average Enrollees	% Change	Gen. Assistance Med. Care Average Enrollees	% Change
FY 1997	0		0	
FY 1998	0		0	
FY 1999	0		0	
FY 2000	0		0	
FY 2001	0		0	
FY 2002	0		0	
FY 2003	0		0	
FY 2004	(366)	-1.1%	(339)	-1.0%
FY 2005	(1,807)	-5.0%	5,346	16.8%
FY 2006	(1,909)	-5.0%	7,566	24.3%
FY 2007	(2,104)	-5.3%	9,767	31.8%



Testimony of James Hanko
President and CEO, North Country Health Services, Bemidji
On behalf of the Minnesota Hospital Association

Jan. 26, 2005

Madame Chair and Members:

My name is Jim Hanko, and I am the CEO and President of North Country Health Services in Bemidji. On behalf of the Minnesota Hospital Association and our 138 members, thank you for the opportunity today to share information with the Committee regarding the increases in uncompensated care that Minnesota hospitals are now seeing.

Before I begin, I would like to provide a small disclaimer. Every hospital in Minnesota is required to provide uncompensated care data to the State; however, that information is filed during the first six months of the year for the previous year's services. That information is then audited and becomes available to the public — usually in November. Because this nine-month time delay would have prevented us from sharing this important information this Session, the Minnesota Hospital Association conducted a quick survey of its members regarding their estimated 2004 uncompensated care data. To date, we have received responses from 77 hospitals. These 77 hospitals are throughout Minnesota and include small, midsize and large hospitals. The responses received represent 90 percent of the uncompensated care provided by Minnesota hospitals.

A comparison of the amount of uncompensated care that was provided in 2004 verses that which was provided in 2003, shows a dramatic increase.

Consider these statistics:

- Charity care went up by an estimated 38 percent to \$135 million;
- Bad debt went up an estimated 21 percent to \$194 million;
- Overall uncompensated care grew by 28 percent to \$329 million;
- 59 of 77, or three quarters of hospitals reported an increase in uncompensated care; and
- 53 of 77 hospitals, or 69 percent of the hospitals showed an increase greater than 10 percent. The median increase was 24 percent.

North Country Health Services, a 98-bed hospital, saw a 31 percent increase in uncompensated care between 2003 and 2004. The Bemidji area has a lower-income population and about 20 percent of our patients are on state-funded programs. Our uncompensated care levels are well above the state average.

over

The cuts that were made to government programs during the 2003 legislative session are a dominant factor in the increasing levels of uncompensated care in Minnesota hospitals. We saw cuts in public program eligibility and reductions in the benefits provided.

The administration's proposed budget, which was announced yesterday, would further increase the number of uninsured in the state by greatly reducing eligibility in the MinnesotaCare program. These Minnesotans would still need to seek health care services; hospitals' uncompensated care levels would certainly grow even further. We are hopeful the Legislature will moderate the administration's proposal.

The standard definition of uncompensated care is charity care and bad debt. It is also important to take into account government payments that fall below costs. I think it is very important to point this out — here are some numbers to explain what I mean.

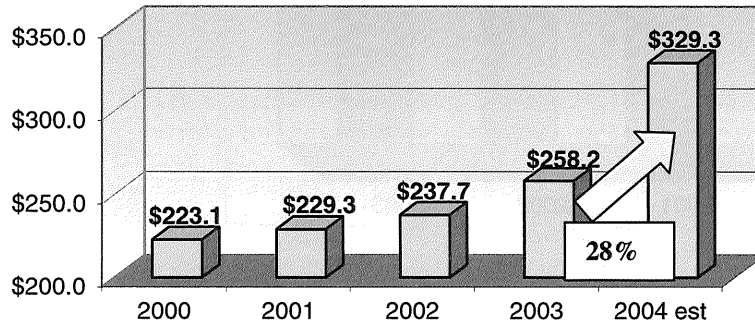
In Minnesota, Medicare paid hospitals approximately *13 percent below our costs* in 2003 which translates to an estimated shortfall of over \$376 million dollars. And the State of Minnesota paid hospitals *nearly 11 percent below costs*, which translated to an estimated shortfall of over \$67 million dollars, for serving individuals in the Medical Assistance, General Assistance Medical Care and MinnesotaCare programs. I remind you, this is not the difference between our charges and our costs: These examples point out the difference between *payments* received from government programs and the *costs* of providing care.

Hospitals are an integral part of the communities we serve. We provide numerous community benefits beyond what is calculated in an uncompensated care number. Health fairs, free screening and immunization clinics, medical education and research are just a few examples of other community benefits provided by hospitals. However, these benefits continue to be at risk when cuts are made to hospital's funding.

Hospitals will continue to provide uncompensated care as part of our mission and commitment to the communities that we serve. But policy-makers need to recognize that the costs of providing uncompensated care do not simply disappear. These costs are shifted to other payers.



**Uncompensated Care Trend
Minnesota Hospitals (in millions)**



Each year, Minnesota hospitals treat several million patients for everything from a simple broken arm to a life-saving bone marrow transplant. Most patients are covered by some form of health insurance, although some are either uninsured or under-insured. U.S. Census Bureau data shows Minnesota's uninsured population to be somewhere between 7 and 9 percent — the lowest in the nation.

State and federal government programs cover over one-third of the patients who seek hospital care. Unfortunately, government programs such as Medicare and Medicaid, which cover the most vulnerable populations, have been a prime target for balancing large government budget deficits in recent years. Minnesota Hospital Association analysis shows that the trend in payment reductions to hospitals is worsening.

In the 2003 Minnesota Legislative Session, hospital payment rates were cut 5 percent for both Medical Assistance and GAMC programs. Mental health services were exempt from the cuts. In addition, eligibility constraints were enacted which were expected to create an additional 34,000 uninsured people.

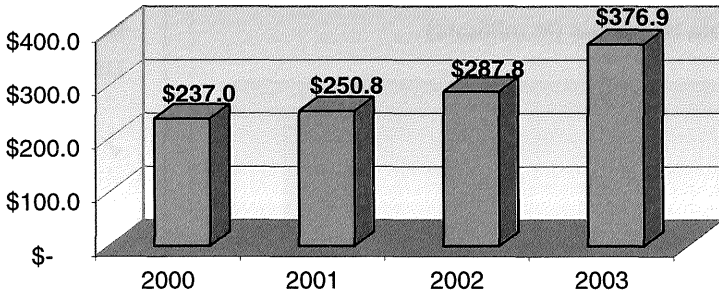
MHA survey of 2004 uncompensated care

- ✓ 77 of 136 general acute care hospitals responded, representing 90 percent of the statewide-uncompensated care dollars.
- ✓ The components of uncompensated care are defined by the Minnesota Department of Health to be “charity care allowances plus bad debt expense.”
- ✓ According to survey responses, **charity care grew an estimated 38 percent to \$135 million**, while bad debt grew 21 percent to \$194 million in 2004.

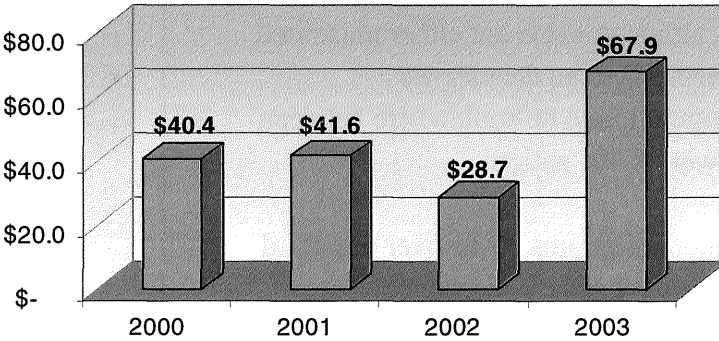
Source: MHA analysis of 2004 survey of hospitals and Health Care Cost Information System annual data.

(See tables on the back)

FEDERAL Funding Shortfalls
Medicare Estimated Payments Below Cost
to Minnesota Hospitals (in millions)



STATE Funding Shortfalls
Medical Assistance, MinnesotaCare, GAMC Estimated
Payments Below Cost to Minnesota Hospitals (in millions)

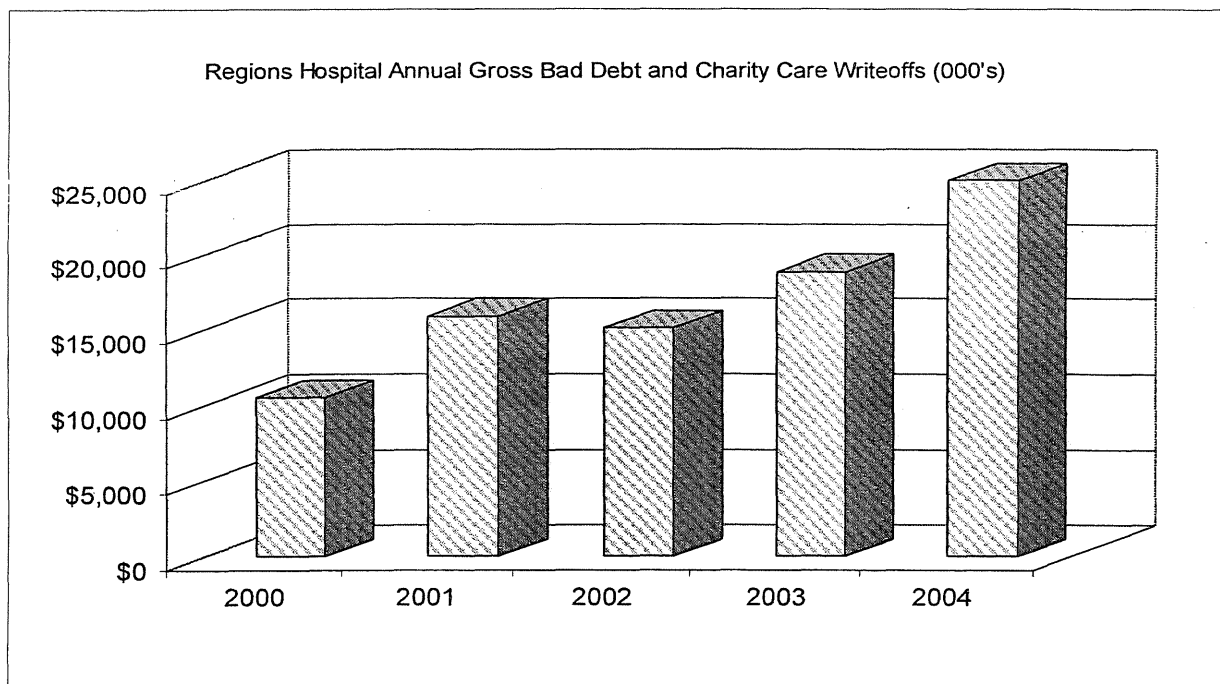




Regions Hospital 2004 Uncompensated Care Facts

Overview

- Regions Hospital is the second largest provider of charity care in Minnesota and the primary provider of charity care in the East Metro. In 2003, the hospital provided charity care to almost 20,000 people.
- Regions' uncompensated care write-offs for 2004 were \$25 million, a 30 percent over 2003 and a 65 percent increase since 2002.
- In 2003, approximately one out of five patients who sought care at the Regions Hospital emergency department was uninsured and received charity care.
- Because of the high level of charity care that Regions provides, cuts to government assistance programs have a disproportionate impact on Regions. Reducing benefits in government programs would help maintain the number of people who qualify for government assistance. In contrast, reducing eligibility will likely increase the number of charity care patients.



Costs, Impact of Budget Cuts

In 2003, Regions Hospital provided more than \$18 million in uncompensated care to approximately 20,000 patients. This represents about five percent of Regions total operating expenses.

Of the 20,000 patients who received charity care in 2003, more than half (12,000) were Ramsey County residents. Regions also provided charity care to patients from greater Minnesota, Wisconsin, North Dakota, South Dakota, Iowa, and several other states and countries.

In contrast, in 2004 Regions provided \$25 million in uncompensated care. In addition, the five percent rate reduction for Medicaid and General Assistance Medical Care (GAMC) enacted by the state legislature in 2003 reduced payments to Regions by almost \$2 million.

Cuts in state funding is one of the top three reasons cited in a 2002 survey by the National Association of Counties for increases in charity care expenses. The other reasons cited were lack of health insurance and lack of prescription drug coverage.

Regions' Financial Assistance Policy

Regions Hospital invests over \$800,000 annually in helping patients find sources of funding such as Medical Assistance, MinnesotaCare, and GAMC. Since 2003, financial counselors at Regions enrolled more than 3,000 patients in government programs.

Patients who come to Regions and do not have health insurance are automatically offered help in securing financial assistance. Financial counselors are available nearly 24 hours a day, seven days a week. Many of the uninsured are non-English speaking patients. To assist them, Regions provides translated materials about the hospital's financial assistance program.

Regions Hospital will soon unveil a self-pay discount calculator that will offer a standardized and uniform approach to offering inpatient care discounts to patients without health insurance. The discount will begin at 20% for all patients, regardless of income, and will provide for a deeper discount based on a patient's income, family size, and bill amount.

Community Benefit

In addition to providing a significant amount of care to the uninsured, Regions Hospital is a regional center for behavioral health care, providing comprehensive inpatient and outpatient services.

Regions Hospital is also a financial underwriter for Portico Healthnet. Portico provides coverage for people in our community who do not qualify for other healthcare programs. In 2004, Regions provided over \$200,000 to Portico. Seeing the value in Portico programs, Regions increased its 2005 commitment to more than \$300,000.

The Regions Hospital Foundation raised \$230,000 in 2004 to support the public health system by conducting health screenings for Hmong refugees from Thailand.

The HealthPartners Institute for Medical Education has 16 residency programs at Regions Hospital that provide training for more than 550 residents per year. IME also conducts more than 240 continuing medical education programs for physicians, nurses and other medical personnel.

HealthPartners and its employees contribute approximately \$750,000 per year to more than 100 community organizations.

UNCOMPENSATED CARE COSTS AT HCMC*

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$20.996M	\$20.642M	\$23.824M	\$23.067M	\$22.799M	\$31.408M (est.)

- A 37.8 percent increase between 2003 and 2004.
- In 2003, 693 HCMC admissions were uninsured whereas, in 2004 that number had risen to 1,194 – a 73 percent increase.
- **34,812** different uninsured outpatients received HCMC medical services 80,281 times in 2002;
37,812 different uninsured outpatients received HCMC medical services 84,013 times in 2003;
45,754 different [currently uninsured*] outpatients received HCMC medical services an estimated 125,667 times in 2004.
- Approx. 24% of HCMC's uncompensated care is incurred by non-Hennepin County residents.

* Number may lessen as applications for public programs are finalized or insurance materializes.