CMH Community Memorial Hospital

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Richard L. Breuer, *CEO/Administrator*

Submitted Electronically

March 17, 2023

Chair Wiklund and Members of the Senate Health and Human Services Committee,

I am writing on behalf of Community Memorial Hospital, and hospitals across the state, in strong support of SF 2693 (Wiklund), which provides timely updates to the Medical Assistance (MA) hospital inpatient fee-for-service reimbursement rate setting process at the Department of Human Services (DHS).

Community Memorial Hospital is a small, Critical Access Hospital (CAH) located in Cloquet, Minnesota that has provided a robust array of services to our community and surrounding region for over 60 years. We treat all patients regardless of their ability to pay, and MA represented 17% of our gross hospital revenues in 2022.

Specific to provisions in SF 2693 related to Critical Access Hospital (CAHs), the reimbursement rates have been based on a tiered system of 85%, 95% and 100% of costs calculated on a base year that is at least four years old. Community Memorial has been stuck at the 85% cost tier for the past 10 years with little or no opportunity to bring these rates closer to 100%. This tiered system was a partial solution to an old problem of the underfunding of rural hospitals, and it was never meant to be a permanent formula. There is no equity in paying different hospitals different percentages of their costs, and it is well past the time to equalize the payments for all CAHs as a percentage of costs. As Community Memorial continues to serve MA patients, and as costs for nearly every aspect of delivering care increase year over year, moving the reimbursement for our hospital and all CAHs across Minnesota to the 100% tier will ensure stable and sustainable access to inpatient hospital care for MA patients, when and where they need it.

Regarding provisions in SF 2693 related to the use of base year costs to recalculate and/or rebase rates every two years, taking this one-time opportunity to index the said costs forward by inflation to the implementation date of the reimbursement further sustains needed services and access to care for Minnesotans on MA across the state. This methodology is also employed by the Department of Human Services (DHS) for other providers on similar cost-based reimbursement systems, such as federally qualified health centers (FQHCs).

I urge you and the Committee to support SF 2693 (Wiklund) and implement the needed updates to MA hospital inpatient rates that will better reflect true costs and will help sustain access to care for low-income and vulnerable Minnesotans.

Thank you for the consideration of my comments.

Sincerely,

Rick Breuer
CEO
Community Memorial Hospital