



Hennepin County
Medical Center

March 14, 2017

Dear Representative Matt Dean;

I am writing in support of House File 641 and thank you for authoring this legislation.

701 Park Avenue
Minneapolis, Minnesota
55415-1829

Tel: 612-873-3000

www.hcmc.org

As you know, Hennepin County Medical Center is a statewide resource – we are an essential safety net care system and a nationally recognized leader in emergency and trauma services and emergency preparedness. Either through training programs, or trauma and specialty care that we provide, HCMC reaches people in all 87 counties in Minnesota. For example, we participate in the training of more than half of Minnesota’s physicians. We operate the Regional Poison Control Center, our state’s only 24/7 emergency hyperbaric oxygen chamber, the largest of only two critical burn centers in the Upper Midwest, and we are the backbone of the emergency/disaster preparedness system.

HCMC’s revenue mix is comprised of 73% government payer sources – 45% Medicaid alone compared to 12% for the average Minnesota hospital. As you know, Medicaid reimbursement is 30-40% below the cost to provide care. HCMC receives two types of Medicaid payments—payments associated with care of specific patients, and supplemental payments. The federal government allows providers such as HCMC to receive supplemental payments in recognition that, because of their mission, safety net and teaching hospitals will struggle to sustain adequate margin.

House File 641 and the amendment address two supplemental payments: IGT1, which is critical to HCMC, and IGT2 which hurts HCMC:

- The amendment pertains to IGT1 which CMS announced in its Final Rule would phase out 10% each year over 10 years. HCMC had forecasted and planned for this already significant loss, but did not anticipate DHS’ additional proposal to sunset this entire supplemental payment in the initial year. The amended bill would preserve the supplemental payment and federal match on an eight-year phased-out period.
- House File 641 would also repeal a payment HCMC makes to the Department of Human Services that generates federal funding but does not benefit HCMC. IGT2 reduces our upper payment level room to accept supplemental payments by \$6.8 million annually, and costs HCMC \$3.4 million per year in lost revenue.

Lastly, hospitals in MN are subject to a 1.56% surcharge on net patient revenues. HCMC has always paid the surcharge on revenues received from episodes of service with specific patients. House File 641 would ensure that supplemental payments, intended to help offset losses, are excluded from the surcharge.

Sincerely,



Derrick Hollings
Chief Financial Officer
Hennepin County Medical Center