ALOMERE HEALTH

Here for Life

Submitted Electronically

March 16, 2023

Chair Liebling and Members of the House Health Finance and Policy Committee,

As MHA's finance committee chair and CFO of Alomere Health in Alexandria, I am writing on behalf of hospitals across the state, in support of House File 2924 (Her), 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).

Alomere Health operates a 127-bed hospital with a Level III trauma center, a state-of-the-art surgical center, and full-service medical care for all our patients. In 2022, Alomere served 8,354 Minnesotans receiving health care through MA. These patients had 38,708 different registrations for services received in our organization. Under our current reimbursement, Alomere Health had a negative 23% contribution margin on these visits. Revenue received in 2022 from MA was 15,973,697 while direct costs were 19,628,706. Direct costs account for 83% of total costs leaving a negative 48% net margin after indirect costs are allocated to these services.

Specific to provisions in HF 2924 related to Prospective Payment System (PPS) hospitals, the reimbursement rates have been based on costs calculated on a base year that is at least four years old. Our hospitals have had stagnating reimbursement rates resting at roughly 70% payment-to-cost for the past 10 years. So, incorporating an inflation adjustment to move rates closer to more realistic, real-time levels would be extremely beneficial to sustaining care and services for our patients.

Regarding provisions in HF 2924 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 for other provider on similar MA cost-based reimbursement systems, such as federally qualified health centers (FQHCs).

I urge you and the Committee to support HF 2924 (Her) 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,
Nate Meyer
CFO, Alomere Health

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