



NM's rural hospitals running on life support

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A state Senate committee hopes to receive compromise legislation as early as today designed to direct tens of millions of tax dollars to shore up finances at New Mexico's rural hospitals, including four or five that could be on the brink of closing.

The Senate Public Affairs Committee on Sunday directed hospitals, Human Services Department officials and county representatives to come up with compromise legislation that would be presented today to replace three funding bills the committee tabled.

HSD and the New Mexico Hospital Association had proposed that hospitals outside of Bernalillo County would receive \$36 million from a one-eighth percent gross receipts tax that would be imposed at the county level. The New Mexico Association of Counties has pushed for a one-sixteenth percent tax that would raise about \$18 million.

Part of the debate is whether counties would impose a new tax or whether the funds could come from some existing revenue source.

Smaller community hospitals around the state have been hit especially hard by federal budget cuts and reductions in Medicare and Medicaid reimbursement rates. Shrinking populations are another factor.

The hospitals already have cut services but say they can't cut enough to make up for the reductions.

"There are probably four or five hospitals that are very much on the brink" of disappearing, said Hospital Association President Jeff Dye, who would not identify those hospitals.

Last fall, Holy Cross Hospital in Taos reduced its intensive care unit from five beds to two, laid off staff and stopped replacing some personnel who quit, said CEO Peter Hofstetter.

The problem facing Holy Cross and hospitals nationwide is that Medicare and Medicaid "pay less than what it costs us to provide the care" and too few patients have adequate private insurance to pick up the slack, Hofstetter said. The result is that Holy Cross lost \$5 million last year and \$1.2 million the year before.

Funding sources

Hospitals hope to cobble together a package that includes the \$36 million from a mandatory one-eighth percent gross receipts tax from the counties, about \$10 million in state funds, and a federal contribution that is contingent on the state and county funding.

The combination would generate \$192 million statewide to help offset the cost of uncompensated care and the cost of caring for indigent patients.

The counties, however, have objected that the funding plan usurps their responsibility to determine how taxes raised within the county are to be spent and that the funds raised would go to a pool instead of being spent on in-county hospitals.

The reductions have been significant.

New Mexico hospitals had received \$278 million in the 2011 fiscal year for such care through the Sole Community Provider program. But changes in the state's Medicaid program – now known as Centennial Care – plus changes in federal rules have cut those funds and replaced the Sole Community Provider program with the Safety Net Care Pool Fund.

State law excludes Bernalillo County from using that fund because its indigent care hospital at the University of New Mexico receives funds from other sources, according to the Legislative Finance Committee.

UNM's hospital in Sandoval County is the only hospital in that county that can participate in the safety net pool.

Neither Bernalillo nor Sandoval counties would be required to pay into the safety net fund under the legislation as currently written, Dye said.

Policymakers had hoped uncompensated care and the cost of indigent care would decline under the federal Affordable Care Act, which provides funding to expand Medicaid coverage to New Mexicans earning up to 138 percent of the federal poverty level and which subsidizes the cost of insurance for people earning as much as 400 percent of that level.

Dye said newly insured patients are not yet arriving in sufficient numbers to offset lost payments for indigent and uncompensated care.

"This is critical to hospitals and we are eager to partner with counties for their continuing support," Dye said.

This latest financial trouble comes on top of Medicare payment cuts to New Mexico of about \$75 million a year, federal budget cuts that cost New Mexico hospitals \$16.2 million a year and state Medicaid

payment cuts that have reduced outpatient payments to hospitals by \$250 million a year, according to the hospital association.

To cope, hospitals are cutting services. In the past four years, Dye said, three rural hospitals have stopped providing obstetric services. Others are eliminating home health care, clinics and physicians' offices.

The problem isn't just government funding.

Rural populations are diminishing, long-standing federal programs designed to support rural care are eroding, rural tax bases are small and there is no appetite for tax increases in many rural communities, Dye said.

"You're seeing a fundamental shift in the business, a shift away from inpatient care, which is not a bad thing in my mind," Hofstetter said.

Hospitals are the most expensive piece of the health care system, he said, and the government and the industry both are trying to find ways to reduce that cost.

"The idea is to build outpatient infrastructure to get people to the kind of care that is frankly less expensive than the hospital," he said.

Holy Cross saved about \$600,000 a year by moving people from the emergency room to more appropriate and less costly care.

"That's a cool thing, but it is also a reduction in revenue to the hospital," he said.