



Health Care Working Group

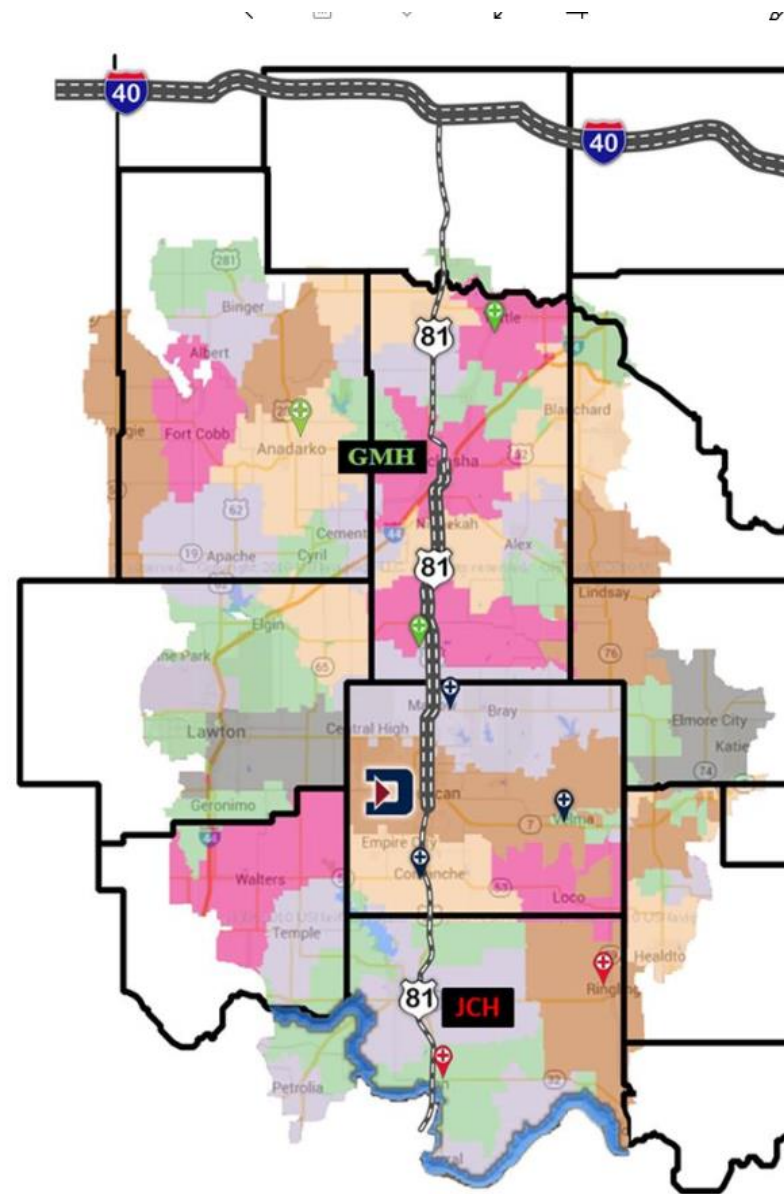
Jay R. Johnson, FACHE
President & CEO
Duncan Regional Hospital

Sept. 18, 2019



Who We Are:

- Small, rural health system-
Duncan Regional & Jefferson
County Hospital, Waurika
- Private not-for-profit hospital
- 1,175 employees
- \$138 M in net revenue
- Clinics in 9 rural communities
- Joint venture for cancer
treatment





Hospitals are unique

- Government mandates to provide services: EMTALA
- Services are provided for the public good through:
 - 24/7 readiness
 - emergency preparedness
 - uncompensated care
 - tertiary and quaternary care
- Business competitors who are not bound by same rules

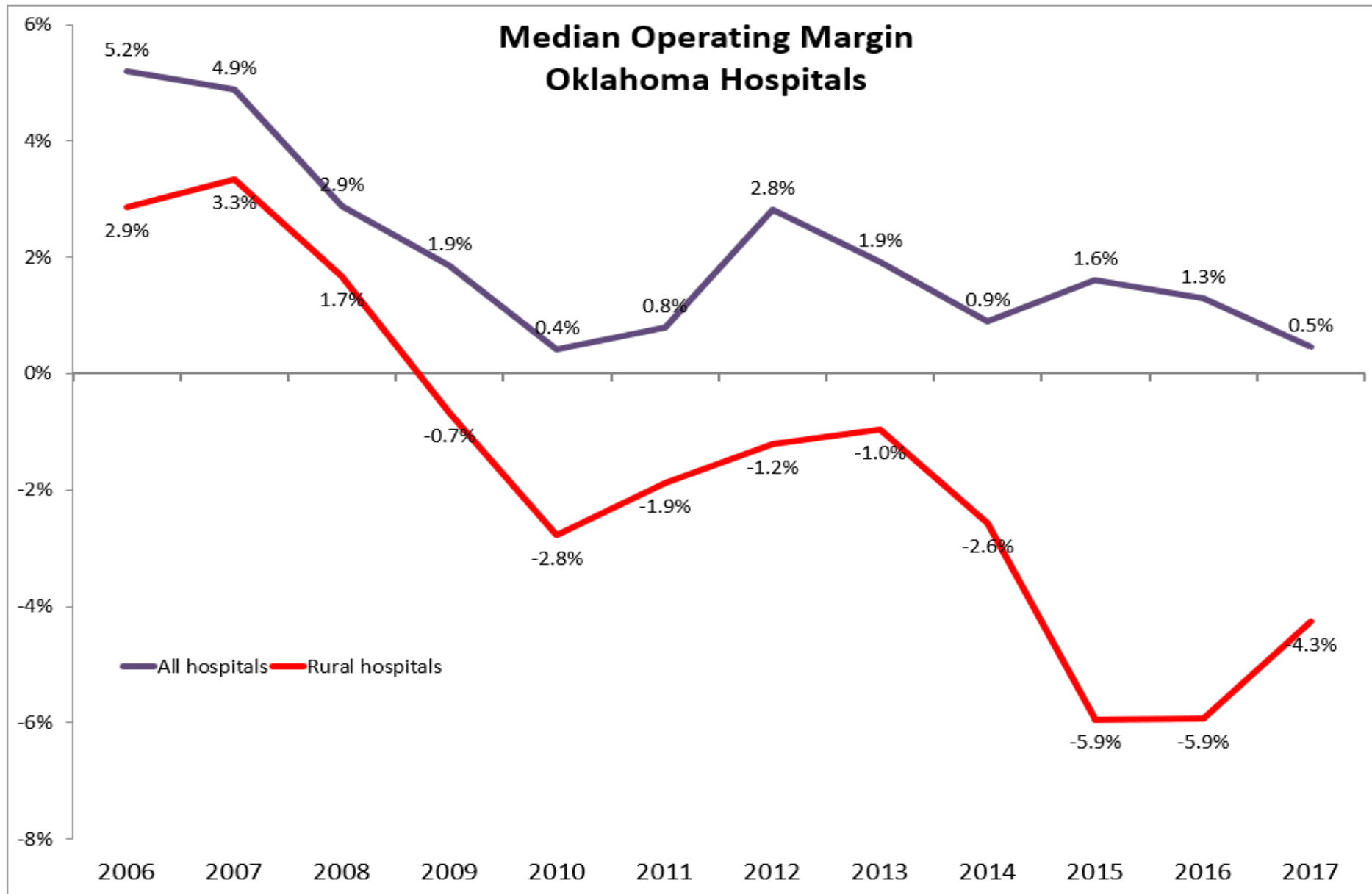




Rural hospitals are even more unique

- Owns the health care issues of the community
- Low volume, less population
- Dependence upon Medicare and Medicaid
- Higher percentage of uncompensated care than urban
- Special federal programs: critical access hospitals, rural health clinics & others







Oklahoma Rural Hospital Impact Since 2016

“Hospitals in states that expanded Medicaid were 84% less likely to close than hospitals in non-expansion states...” Healthcare Finance (January 10, 2018)

Closed Hospitals

- Eufaula
- Frederick
- Pauls Valley
- Sayre
- Wilburton
- El Reno

Bankrupt Hospitals

- Antlers
- Atoka
- Drumright
- Fairfax
- Prague
- Seiling
- Stigler
- Vinita





Why did these hospitals close?

- ACA cuts + state budget cuts + failure to expand Medicaid
- Continued cuts without any reduction in uninsured
- Small communities, low volumes and not eligible for critical access hospital status
- Lack of ability to provide specialty services
- Health care workforce & recruiting





Regional Medicaid Costs by State

- New Mexico \$6,026
- Arkansas 6,209
- Texas 6,495
- Kansas 6,670
- Missouri 8,501

- National average \$6,396 (14th lowest)

Oklahoma
\$5,608

Source: Kaiser Family Foundation





SHOPP

Supplemental Hospital Offset Payment Program

- Allows hospitals to provide private money for the state to draw down federal matching funds for Medicaid to about the Upper Payment Limit (UPL) – what Medicare would pay for same service.
- 4% (current is 2.8%) of net patient revenue.
- 2019 assessment will generate about \$204 million for state share to garner \$352 million in federal funds for total of \$556 million. Of that:
 - \$474 million is paid to hospitals for care provided to cover unreimbursed cost of SoonerCare patients.
 - \$82 million is used to maintain current payment rates for physicians and other providers.



Payors of Health Care

Government Payors:

- Medicare
- Medicaid
- Tri-Care
- Indian Health Services/Tribal

Private Sector:

- Commercial (reg. by state)
- ERISA (reg. by federal govt.)

Oklahoma Hospital Patient Revenue (in \$ millions)			
	Gross Charges	Net Revenue	% of Net Revenue
Medicare	\$ 18,400	\$ 3,822	37%
Medicaid	\$6,071	\$1,410	14%
Other third-party payers	\$14,889	\$4,918	47%
Self-pay revenue	\$2,970	\$308	3%
Total	\$ 42,330	\$ 10,458	100%

Source: 2017 American Hospital Association Survey



OK Urban vs Rural Payer Mix

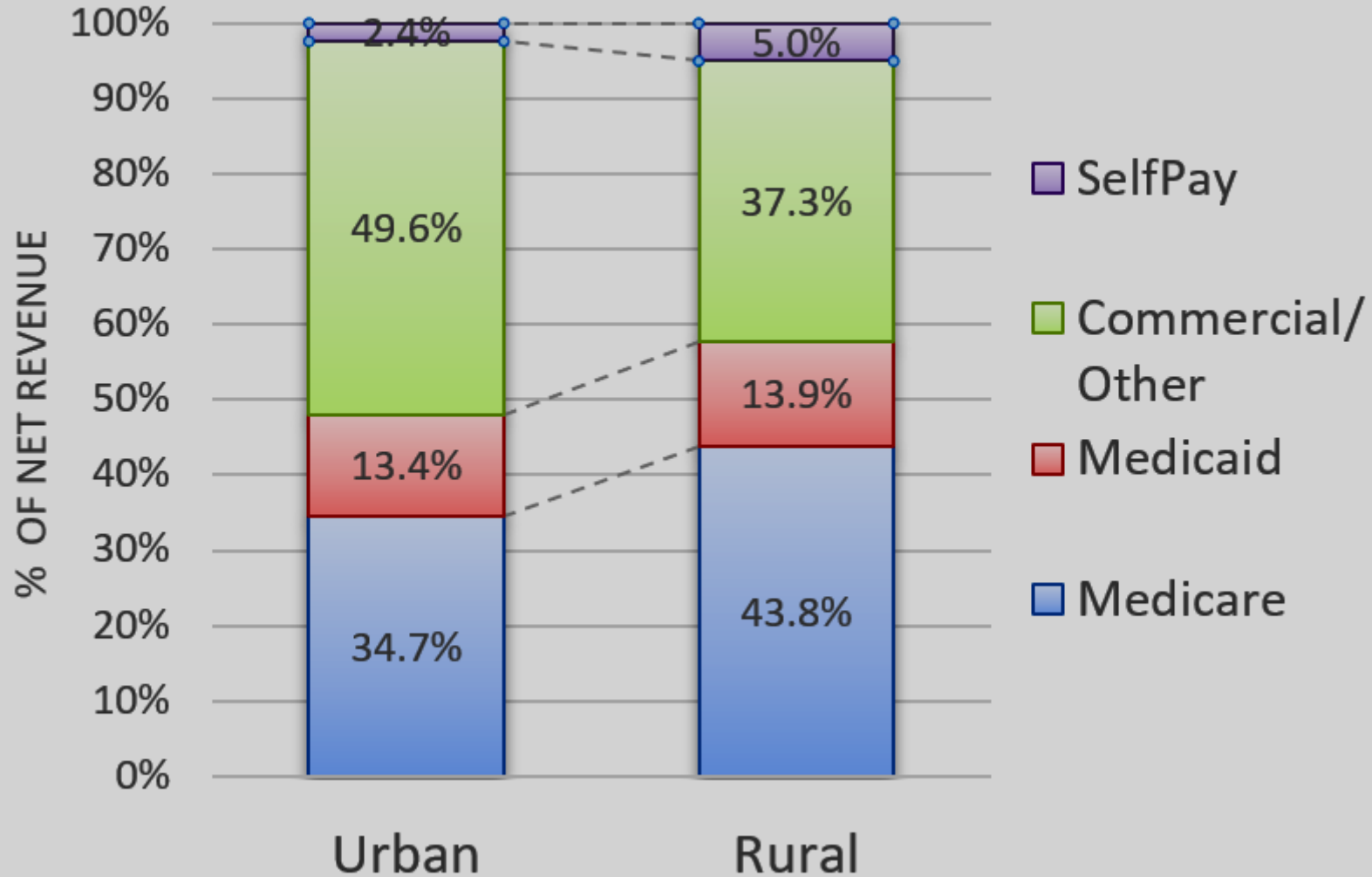
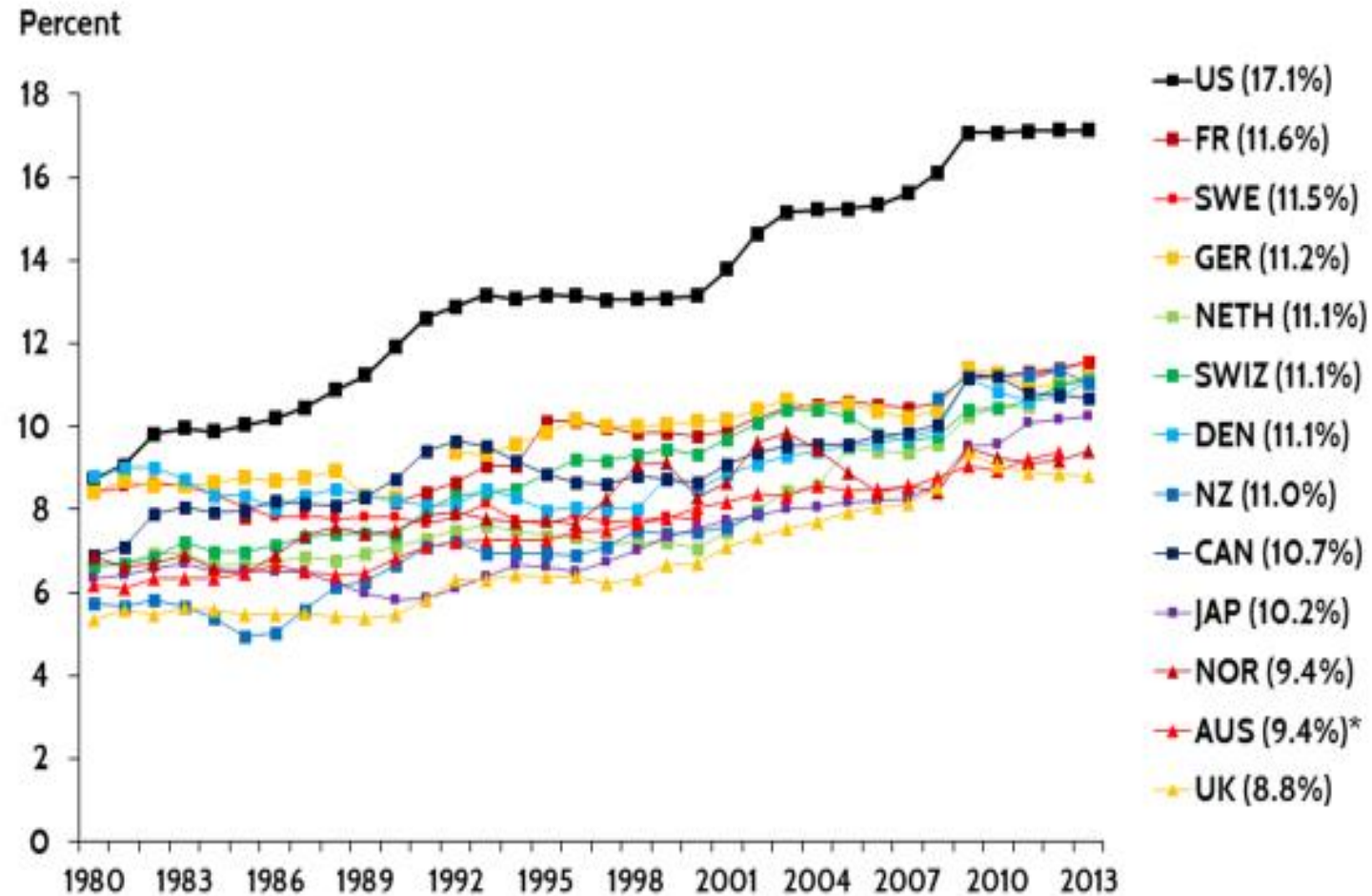


Exhibit 1. Health Care Spending as a Percentage of GDP, 1980–2013



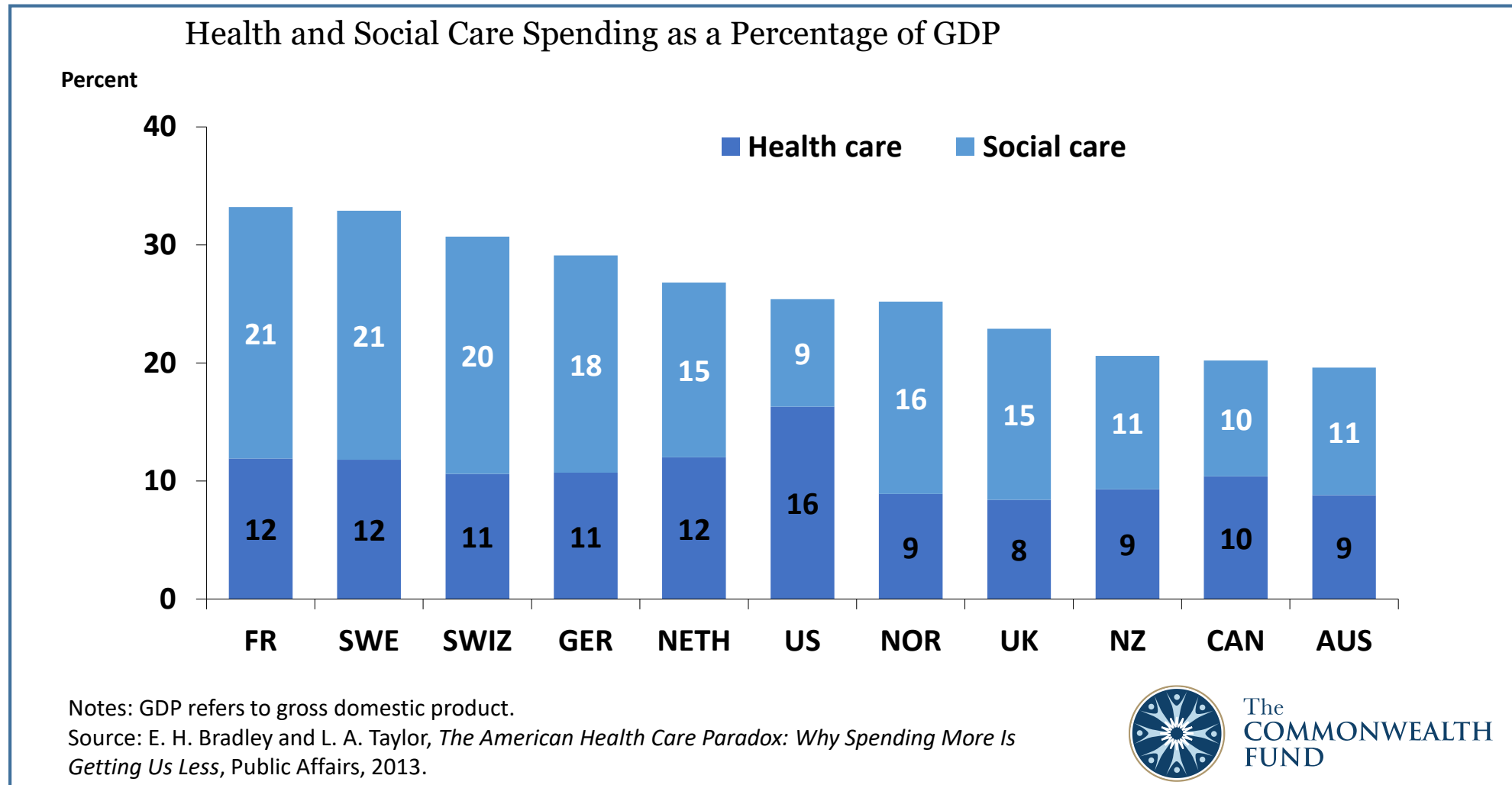
* 2012.

Notes: GDP refers to gross domestic product. Dutch and Swiss data are for current spending only, and exclude spending on capital formation of health care providers.

Source: OECD Health Data 2015.



Action Requires Rethinking Resources



3-4-65 in Oklahoma



3 BEHAVIORS



Tobacco Use



Poor Diet



Sedentary Lifestyle

4 CHRONIC CONDITIONS



Cardiovascular Disease



Cancer



Diabetes

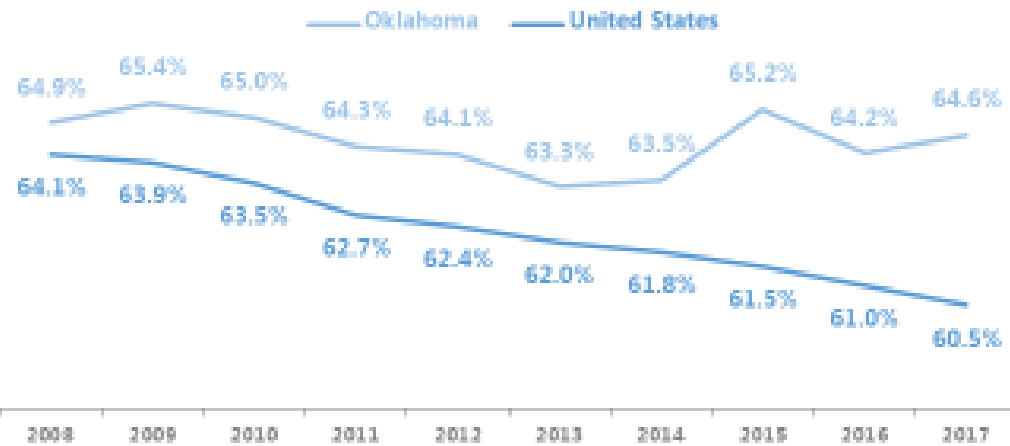


Lung Disease

65% OF DEATHS

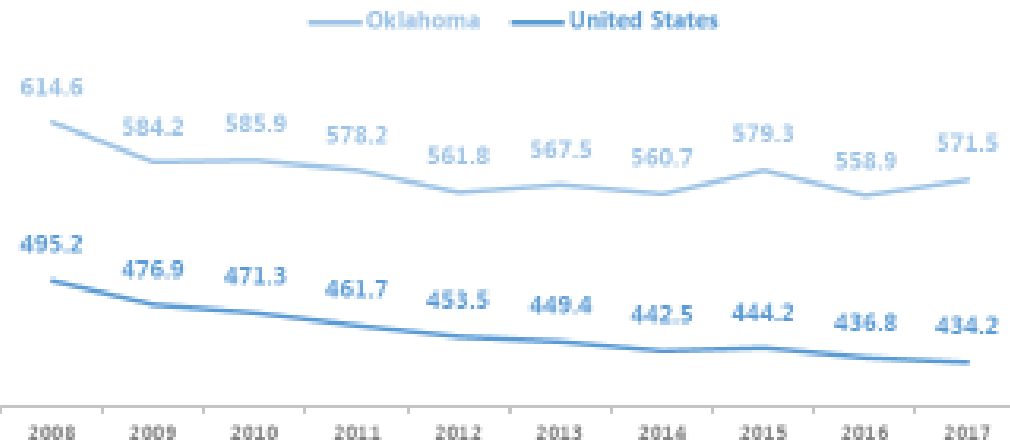
Three unhealthy behaviors influence four chronic diseases that account for **65** percent of all deaths in **Oklahoma** and for **60** percent of all deaths in **United States**.

3-4-65 DEATH PERCENTAGES*



*3-4-65 deaths as a percentage of all causes of death. Deaths include cardiovascular disease, cancer, diabetes, and lung disease. Source: Oklahoma State Department of Health, Center for Health Statistics, Health Care Information, Vital Statistics (OK2SHARE), 2008-2017.

3-4-65 DEATH RATES*

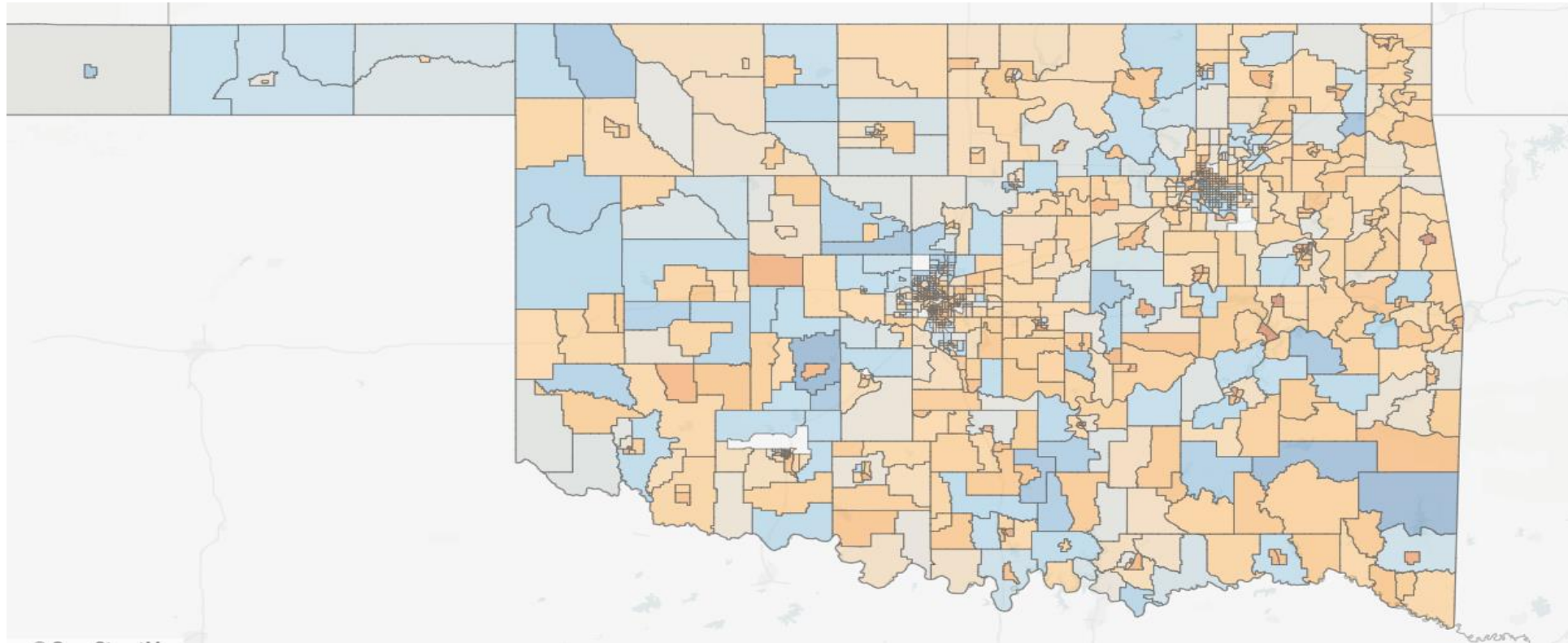


*Age-adjusted rates per 100,000 population. Deaths include cardiovascular disease, cancer, diabetes, and lung disease. Source: Oklahoma State Department of Health, Center for Health Statistics, Health Care Information, Vital Statistics (OK2SHARE), 2008-2017.



Zip Codes Matter

- Within Duncan, life expectancy ranges from 80.4 to 67.5 within 5 miles.



U.S. Small Area Life Expectancy Estimates Project (USALEEP): OK 2010-2015





Rural Health Challenges

- Workforce
- Access: especially behavioral health
- Ambulance availability
- Long term care facilities (nursing homes)
- Pharmacy





Rural Health Solutions

- Expand Medicaid.
- Create workforce plan to ensure adequate supply of doctors and nurses for rural.
- Incent to move to rural locations.
- Ensure adequate supply of statewide ambulance coverage.





Expand Medicaid?

- Oklahoma has 2nd highest uninsured rate, only behind Texas.
- Provides \$9 federal match for every \$1 spent by the state.
- Stabilizes rural hospitals.
- Stabilizes and improves access to care.
- Pay for substance abuse and mental health treatment – HUGE IMPACT FOR CRIMINAL JUSTICE REFORM.





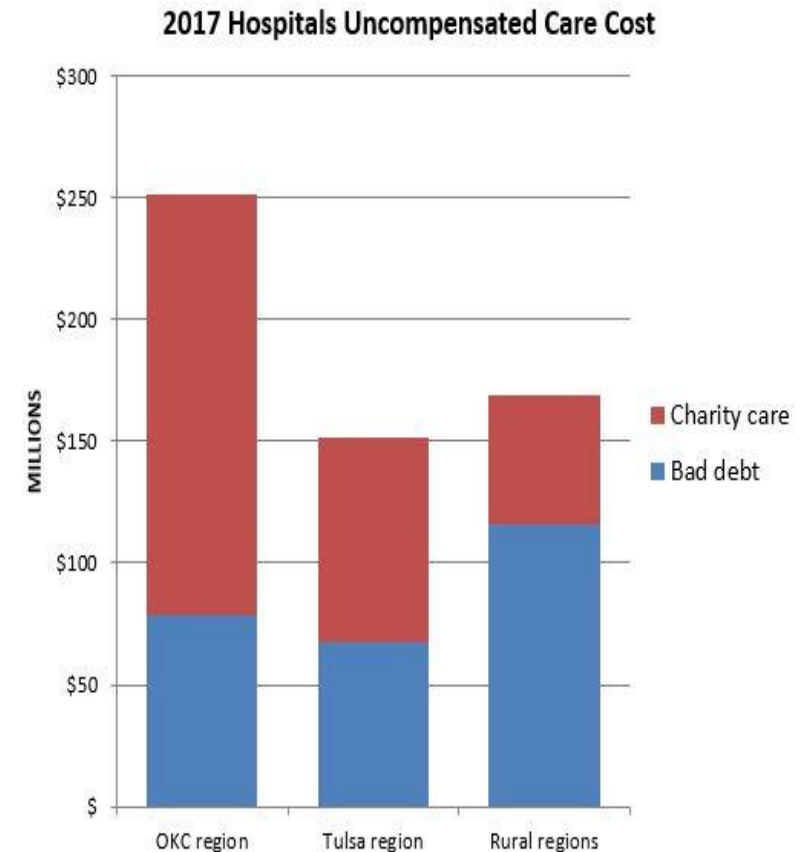
Why Expansion Matters

- Provides a “hand up” to an individual who makes less \$17,000 per year or \$29,000 for a family of three.
- Provides coverage for approximately 200,000 hardworking Oklahomans.
- Brings back Oklahoma tax dollars – like 36 other states that have expanded.
- Creates jobs in health care and other related businesses.



Hospitals Provide more than half a billion dollars in uncompensated care annually

- Law requires hospitals to have a discount policy for those with incomes $\leq 300\%$ federal poverty level.
- Medicare and Medicaid adjustments (difference between charges and pmts.) do not qualify as uncompensated care.
- Federal EMTALA.





Does Medicaid improve health outcomes?

- Opt-in states experienced a 9.3 percent reduction in mortality rates.
(The Atlantic, 7/31/19)
- A 50% greater reduction in infant mortality in Medicaid expansion states vs. non-expansion states. *(Georgetown University Health Policy Institute, 5/9/19)*
- The 22 healthiest states in United Health Foundation's 2018 rankings have all expanded Medicaid.
- Medicaid expansion was associated with a significant reduction in the proportion of adults with depression who lacked health insurance.
(Psychiatry Serv. 11/1/18)





Economic Impact

- Health care and social services are the largest employer (221,500 jobs).
- Matching funds: military/transportation/education/FEMA.
- Traditional Medicaid 2:1 match, expansion 9:1.
- Move past ideology to common sense to do what helps people and stabilizes rural access.
- Top ten status will require an investment.

