



Tom Bell
President and CEO

August 7, 2015

The Honorable Sam Brownback
Office of the Governor
Capitol, 300 SW 10th Ave., Ste 241S
Topeka, KS 66612-1590

Dear Governor Brownback;

I was troubled by the report that at a recent press conference you stated your belief that rural hospitals would not benefit from KanCare expansion, but instead need to innovate in order to address the many challenges they are facing. You also noted that rural hospitals have been struggling for thirty years. While it is true that rural hospitals have always struggled to balance necessary services with limited revenue due to small populations, they, like other Kansas hospitals, have never faced challenges of this magnitude.

These new challenges include a variety of federal reductions: Medicare payments under the Affordable Care Act totaling \$1.7 billion between 2010 and 2024; reductions in payments to hospitals who serve the largest portion of our most vulnerable citizens – those on Medicare, Medicaid and indigent Kansans – at a cost of \$250 million from 2010 to 2024; and the federal sequester, which will result in reimbursement reductions for Kansas hospitals of \$593.3 million through 2024.

At the state level, the implementation of the state Medicaid managed care program, KanCare, has not been without difficulty. As we have continually alerted KDHE officials and representatives of the managed care organizations, problems with inconsistent prior authorization and denial policies, delayed payments and software issues have increased administrative costs to hospitals for a program that pays far less than the cost for services provided to its beneficiaries.

Unfortunately, your administration has been consistent in its lack of support for KanCare expansion. For example, the state has provided information on the costs of expansion that excludes any revenue expansion generates--even the most obvious revenue generating items such as the increase in privilege fee revenues and the additional drug rebates that would be collected by the state for the newly eligible population. In addition, the state has ignored the cost of the ACA reductions to hospitals when determining whether or not expansion is good for hospitals. Based on the estimates provided by KDHE on the benefit of expansion to each hospital, when compared to costs of the ACA from national data, only 15 of the 143 hospitals in the KDHE report would not have a net gain if Medicaid were to be expanded. Only 4 of the 97 hospitals classified by KDHE as rural or frontier would have a net loss with expansion. Given these facts, expansion would inarguably help nearly all Kansas hospitals address the federal ACA reductions and put them in a better position to address the sequester reductions and increased administrative burden of the KanCare program.

Kansas Hospital Association

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Despite these challenges, Kansas hospitals continue in their dedication to serving their communities and, contrary to your statement, every day they are looking at ways to innovate. In fact, innovation is probably the number one topic at any given meeting concerning the healthcare delivery system. These innovations range from a greater focus on population health to more patient engagement along with better collaboration and alignment among providers. And, frankly, they are innovations that are supported in principle by the KanCare program and that could be enhanced by an expanded KanCare. For example, the Kansas Hospital Association and the Kansas Medical Society have jointly formed the Kansas Health Information Network, a statewide health information exchange that has been among the industry leaders assisting providers in moving forward with electronic health records. The same two organizations formed the Kansas Healthcare Collaborative, a provider lead organization focused solely on how we can innovate to improve the quality of healthcare. Even more specifically, the Kansas Hospital Association created a Rural Health Visioning Technical Advisory Group with the following charge: To identify, evaluate and recommend strategies for KHA and its family of organizations related to the future of rural health delivery and structure; to identify new models of rural health delivery and consider the potential for success of the model(s) in Kansas; and develop education and other resources related to the future of rural health delivery for KHA members and the public. That group has taken its charge seriously and is now testing how those new models would work. KHA is collaborating with other states as we discuss such innovations.

The Kansas Hospital Association, working with our members and other stakeholders, is continuing to provide education on the many opportunities to innovate. We facilitate discussions where appropriate, connecting hospital leaders with experts. We provide quality and utilization data to help improve care and identify services that are more appropriately provided elsewhere while furthering the understanding of new ways to use technology to improve quality, reduce costs and expand availability of care.

Governor Brownback, the question is not whether hospitals are looking for ways to innovate. Rather, the question is whether the state of Kansas is doing all it can to support innovation in healthcare. We welcome the opportunity to work with your administration to find solutions for our hospitals as they address the current challenges and to share with you the work our hospitals are doing to keep Kansans healthy across the state.

Best regards,

A handwritten signature in cursive script that reads "Tom Bell".

Tom Bell
President and CEO