

December 14, 2011

Dominic M. Calabro, Chair  
 Governor's Commission on Review of Taxpayer Funded Hospital Districts  
 Agency for Health Care Administration  
 2727 Mahan Drive  
 Tallahassee, FL 32308

**RECEIVED**

DEC 15 2011

OFFICE OF  
 JEFFREY N. GREGG, CHIEF  
 BUREAU OF HEALTH  
 FACILITY REGULATION

Dear Chairman Calabro:

The Florida Hospital Association (FHA) appreciates the time and effort the Commission has spent on examining the role of public hospitals. FHA was first formed in 1927 and since that time has seen tremendous change in how health care is provided to Florida's citizens. Our private and public hospitals have constantly changed based on response to their local communities' needs and public policy direction from the federal and state governments. Change based on local community needs has proven over the years to be a more stable and effective transition than the public policy swings based on outside financial considerations.

The Commission has certainly shed light on the challenges facing hospitals and how difficult the current health care environment is for hospitals in Florida. The Commission heard repeatedly how massive and unpredictable the current federal reforms are as regulators move towards bundling of Medicare payments and the state reforms Medicaid. As you prepare the final report, we would like to offer these four observations consistent with the testimony of hospitals before the Commission:

1. **ALL HOSPITALS ARE CHANGING IN TODAY'S ENVIRONMENT** – Florida hospitals are implementing many changes to meet the challenges of a struggling economy. At the federal level, the Super Committee's failure to reach an agreement could mean \$2.4 billion in Medicare payment reductions for hospitals in our state. Even if Congress does come to an agreement, it will still include Medicare payment cuts. At the state level, Medicaid payments to hospitals have been reduced \$1 billion since 2005, and state revenue shortfalls for this coming Session are estimated as high as \$2 billion. Both Medicare and Medicaid currently pay less than the cost to treat patients, and the programs combined account for 54% of our patients. In addition, hospitals in Florida provide an additional \$3 billion in uncompensated care costs to 3.7 million individuals without insurance or ineligible for Medicare or Medicaid.
2. **HOSPITAL LOCAL TAX DOLLARS HAVE REDUCED THE NEED FOR STATE GENERAL REVENUE** – Public hospitals are instrumental in stretching state health care dollars through the innovative use of local tax dollars. Public and private hospitals are paid a base rate under the Medicaid program for inpatient and outpatient services. Those payments are currently funded using 19% of state general revenues, 25% local funds and 56% federal funds. There will be huge problems if the state tinkers with that local revenue source. The state relies on the hospital districts and other local revenues to obtain additional money from the federal government to provide Medicaid services.
3. **PUBLIC HOSPITALS ADAPT TO LOCAL NEEDS AND PRIORITIES** – Public hospitals are constantly changing. The Board of Directors change, their tax rates change, their charters have changed and their ownership has changed. There have been countless

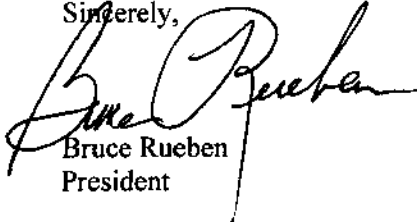
Letter to Dominic M. Calabro, Chair  
December 14, 2011  
Page Two

local bills passed to help communities position their public hospital to meet their needs. We have seen many municipal, county and district hospitals, based on local financial concerns, reorganize by selling or leasing their facilities. These changes were based on local decisions. Private hospitals have closed or merged as well. This follows a national trend started in the 1970s as government focused its public policy on cost containment. Those same pressures exist today for both public and private hospitals.

4. **PUBLIC HOSPITAL DECISIONS ARE MADE BY A LOCAL BOARD OF DIRECTORS** – The most important factor in this entire discussion is that local community leaders are making the decisions to meet the health care needs of their local citizens and visitors. These leaders are appointed by the Governor or local governmental body or are elected by local voters. They are charged with the duty to balance hospital services to the community with financial stability. The Commission heard over and over again that each public hospital was unique to its community and could not be compared to other hospitals. However, there is one thing public hospitals have in common – a Board of Directors comprised of local leaders who are charged with a fiduciary duty to make decisions in the best interest of their communities. These boards have been making these tough decisions for decades.

The FHA would like to thank the Commission for its work in spotlighting the valuable contributions made over many decades by our public hospitals. We strongly support the ongoing role of public hospitals. FHA urges the Commission to recognize that public hospitals' board of directors are in the best position to understand the unique character of their communities and to plan needed changes in this uncertain health care environment.

Sincerely,



Bruce Rueben  
President

cc: Jeff Gregg, Commission Staff, AHCA