

Statement of Craig Broman, President of St. Cloud Hospital/CentraCare Health System, to the Health & Human Services Finance Committee of the Minnesota House of Representatives

April 22, 2009

Mr. Chairman, Members of the Committee, my name is Craig Broman, President of St. Cloud Hospital — a part of CentraCare Health System. At CentraCare, we provide primary and specialty health care services to the approximately 600,000 citizens of the 12 counties we serve.

I urge you to oppose the cuts to hospitals included in the Governor's budget and to seek ways to balance Minnesota's budget that do not put a disproportionate share of spending cuts onto Minnesota's hospitals. Addressing Minnesota's budget challenge will require adjustments in all parts of the state's budget. Do not balance the budget on the backs of the poor, disabled and uninsured working poor — and those who serve them.

In our current fiscal year, St. Cloud Hospital and CentraCare will have a negative net margin. For this reason, we no longer have the ability to offset cuts as we have in the past few years when the state cut Medicaid reimbursements. We already have taken steps to reduce the negative impact of the weakened economy and bad debt: We have reduced capital expenditures, and instituted a soft hiring freeze.

I want to assure you that I am not here to threaten dramatic cuts in the services we provide. Nor am I in a position to predict with certainty what will happen if you pass a budget that includes significant cuts to hospitals, nursing homes and other Medicaid providers.

I do know, if cuts of the magnitude as those proposed by the Governor are passed, we will be forced to make adjustments and reductions in some programs in order to preserve the bulk of our services. Because labor makes up 60 percent of our costs, we would have to reduce health care workers' hours or eliminate positions, which would increase state unemployment, leave workers without benefits, and create an even greater drag on an already weakened economy.

Areas at risk include some or all of the following:

- **Behavioral Medicine:** Untreated mental illness and chemical dependency are major drivers of health care spending in our communities — and a critical challenge for the state. During the past few years, we have increased the capacity of our behavioral health services in an attempt to meet these needs. We may be forced to reduce our commitment to behavioral medicine (which St. Cloud Hospital currently subsidizes at a cost of about \$5 million per year).
- **Home Care:** Home care is an important strategy to improve outcomes and reduce health care spending. However, home care always has been paid at below the cost of providing those services. We may be forced to reduce the

amount of home care services — probably by reducing the geographic range of our services from its current 45-mile radius to 30 or 15 miles.

- **Dialysis Services:** Research shows that dialysis patients are more likely to remain healthier when they receive all of their dialysis treatments in a timely manner. St. Cloud Hospital currently operates Minnesota's largest independent dialysis program with locations in nine communities throughout Central Minnesota. We developed these programs because patients are more likely to receive treatments in a timely manner when the dialysis program is closer to their homes. We may be forced to consolidate programs into fewer locations that are farther apart.
- **Diabetes Center:** Unmanaged diabetes is a major driver of health care costs and early death and disability. Management of diabetic patients is a strategy identified by the State of Minnesota in its health care reform discussions as a means of improving the health status of Minnesotans and reducing health care spending. However, poor reimbursements from virtually all payers make operation of CentraCare's Diabetes Center a financial challenge. Additional cuts may force us to shut down our Diabetes Center — reducing our ability to manage the care of diabetic patients and eliminating exercise and nutrition programs.
- **Mid-Minnesota Family Medicine Center:** Since the early 1990s, St. Cloud Hospital has operated the Mid-Minnesota clinic as its sliding fee clinic for the uninsured and under insured. The clinic, which must be subsidized in the amount of \$1-2 million each year, functions as a community clinic and provides services that allow the uninsured to have access to primary health care services in a clinic setting, rather than in the emergency room. The clinic also is the point of entry into the health care system for immigrants in our community — mainly Somalis and Hispanics. We may be forced to reduce hours and services at the clinic to reduce the cost of the subsidies.
- **Regional Outreach:** The financial health of rural hospitals and clinics in Minnesota is critical to the financial and physical health of those communities. St. Cloud Hospital supports the provision of outreach services by specialists from St. Cloud in more than 20 communities in Central Minnesota to allow area residents to receive care closer to their homes. We may be forced to reduce/eliminate support for many of those outreach services.

The short-term thinking embodied in cuts proposed by the Governor will not reduce health care spending — instead it will accelerate the growth while reducing the health status of our region. More importantly, cuts will reduce patient access to critical services, reduce access for the uninsured and underinsured and undermine our ability to manage chronic disease. These cuts will cripple our ability to execute meaningful health care reform in Minnesota.

Some of our legislative leaders like to describe the proposed cuts as simply reducing the rate of growth in health care spending. But, what they propose are real cuts to

programs and services run by hospitals. Cuts where providers receive less than they did in prior years. These real cuts will jeopardize the health of our communities. They also will drive up health care costs for all Minnesotans due to cost-shifting to insured patients and their employers.

I urge you to seek more equitable, strategic solutions to the state's budget challenges with cuts in all of the segments of Minnesota's General Fund Budget and to consider additional revenue if necessary to invest in the lives and health of Minnesotans.

Thank you for this opportunity to share our concerns. I look forward to responding to any questions you may have.