

To: Members of the Michigan House Appropriations Subcommittee on Health and Human Services
From: Terry Lerash, president and CEO, Scheurer Hospital, Pigeon, Michigan
Date: March 1, 2018
Re: FY 2019 Health and Human Services budget

Scheurer Hospital is located at the tip of the Thumb in Huron County. We are designated as a critical access hospital, with 25 inpatient beds, a full-time emergency department and robust outpatient services. Scheurer Hospital employs 485 employees including 15 physicians, operates four primary care clinics and four pharmacies. We also operate a set of elder care services, including independent living, assisted living, and long term care facilities with 98 seniors in residence.

For several years, the Michigan Legislature has funded a special pool of money for small and rural hospitals, including the more recent addition of a second pool for small and rural hospitals that are still doing labor and delivery services. Together these special funding sources have made a dramatic difference in the sustainability of small and rural hospitals in Michigan.

Unfortunately, due to the requirements of the federal Medicaid Managed Care rule and the adjustment that was necessary to some hospital payments, these traditional pool payments cannot continue as they have in the past and must be redesigned. The changes needed are detailed and nuanced, but in short, to continue these payments to Michigan's small and rural hospitals, including those payments for labor and delivery services, the state is limited to using general funds. On behalf of Michigan's small and rural hospital community, I am requesting an additional \$3 million in state funding for fiscal years (FYs) 2018 and 2019 to help offset the adjustment to the pool payments due to the federal rule change.

In FY 2018, roughly \$14 million in general fund was left unmatched. After working with the State Budget Office, another \$7 million of general fund was added for FY 2018. The Governor's executive budget recommendation extends all of this into FY 2019. When combined with the growth in provider tax payments, the additional funding will come close to maintaining FY 2017 payment levels for Michigan's small and rural hospitals, funding that is critical to the health of Michigan communities and ensures patients have access to care when and where they need it.

As a beneficiary of the small and rural pool, we are able to bring programs to our schools to create a new generation of healthy kids. One example is our 5-2-1-0 program, which we have implemented in three school systems to encourage our youth to pursue healthier lifestyles. We teach them the benefits of consuming five fruits and vegetables every day, no more than two hours of electronic exposure per day, a minimum of one hour of physical activity per day, and zero consumption of sugar-based drinks. We are committed to not only serving our constituents when they are sick or injured, but getting them to a more active and healthier state. Maintaining a steady source of funding allows us to continue these unreimbursed programs into the future.

Caring for our community also means caring for our region. At Scheurer, we do not deliver babies. We depend on the hospital in Bad Axe. If Huron Medical Center were to drop labor and delivery services, that's a crisis for our community. That hospital's obstetrics program serves the entire Thumb. We can send young women more than an hour away to do their delivery, but we shouldn't be forced to do that. And without a place to do labor and delivery, it is hard to keep obstetricians and gynecologists. More distance to those specialists endangers access to prenatal care, even while we urge our pregnant moms to do everything they can to keep all prenatal visits.

Brian Peters, Chief Executive Officer

We are fully aware of the challenges facing Michigan with regard to limited state resources, the need for road funding, the desperate problem we have with opioid addiction, the challenge of water contamination, and Michigan's effort to stay economically competitive by growing and keeping our talented young people and workforce. However, without the sustainable funding that the small/rural pool brings to places like Scheurer Hospital, we can't do the kind of work that improves the health of our community and ensures access to care, which is the fundamental reason our healthcare costs will eventually decline. Please do what you can to complete our funding for fiscal years 2018 and 2019 by incorporating the last \$3 million into our line item for each year.

If you have any additional questions about this request, please contact Chris Mitchell at the MHA at cmitchell@mha.org or (517) 703-8622.