

## Hospital "Bed Tax" Looming

Legislation to impose new taxes on metro Atlanta hospitals will likely be a flash point in the upcoming General Assembly session as Georgia grapples with a ballooning Medicaid shortfall.

The legislation, which was introduced and shelved last year, called for a 1.6 percent fee to be levied on hospitals' adjusted gross patient revenue. That "bed tax" could cost the state's hospitals nearly \$260 million annually, according to the Georgia Hospital Association (GHA).

The Medicaid bed tax proposal would allow the state to draw more federal matching dollars, which could be funneled back to Georgia health-care providers.

"We're opposed just to the principle of taxing hospitals to fund the Medicaid program," said Kevin Bloye, spokesman with the GHA.

"If the tax is 1.6 percent this year, what's going to keep it from being 5.6 percent in two years, or 10 percent in three years?"

The hospital lobby, which successfully fought off the legislation last year, might have a tougher struggle this year.

Georgia Medicaid will need up to \$635 million in fiscal 2011, according to a spokeswoman for the state's Department of Community Health.

The state's alternatives to levying a provider fee are equally unappetizing.

Georgia could cut non-mandatory Medicaid services or end up slashing Medicaid reimbursement rates by about 10 percent, to 12 percent, hospital lobbyist Jimmy Lewis said.

"The budget is so bad, the hole is so big," Lewis said.

Legislators were "able to avoid making the really tough decisions in the Medicaid budget" last year, because Georgia received an infusion of federal stimulus money, said **Josh Belinfante**, who helped craft the provider fee legislation.

That's a third option that we won't have this year," said Belinfante, counsel at **RobbinsLaw**.

In his fiscal 2011 budget, the governor can either propose the provider fee like he did last year to raise revenue for Medicaid, or he can propose Medicaid reimbursement cuts.

"There's not another way to do it," Belinfante said.

### **Bad timing**

Hospitals, caught between slumping patient volumes and mounting unpaid medical bills, are balking at being stuck with a new tax.

“We’re seeing an increase in uninsured patients; we are seeing budgetary constraints within the hospital community that are even greater than last year,” Bloye said.

A sluggish economy has forced some providers, including Piedmont Healthcare Inc. and Saint Joseph’s Health System to reduce their workforces. Others, such as Emory University and Children’s Healthcare of Atlanta, have iced multimillion-dollar capital projects.

The tax, in its proposed form, would cost Saint Joseph’s nearly \$6 million annually, Chief Financial Officer Kevin Brennan said in a statement

“While we recognize the gravity of the budget shortfall Georgia faces,” Brennan said, “we do not agree with the concept of taxing our state’s nonprofit hospitals that are here for those in their time of great need.”

The proposed bed tax could lop about \$15 million off Piedmont Healthcare’s bottom line annually, said Holly Snow, vice president for government and external affairs.

“It would be a draconian cut that would have severe negative consequences on facilities such as Piedmont, and a ripple-down effect that could harm the ability to provide services to our patients,” Snow said..

Any new tax would eventually get passed onto patients and employers.

It would also hurt hospitals’ ability to invest in expansions and improvements. Some hospitals, skating on financial thin ice, could go under.

To take \$15 million out of a system means we’d have to look at every option,” Snow said. “We’d have to put everything on the table and look at what services we’re providing, and ultimately how we provide those services.”

Avoiding Medicaid cuts, including the provider fee, will be the GHA’s top priority in the upcoming legislative session, which begins Jan. 11.

“The budgetary problems are deeper than anybody anticipated, even a few months ago,” Bloye said. “We anticipate this to be a very, very difficult year, especially when it comes to determining how to allocate Medicaid dollars.”

### **Will it be enough?**

With a larger deficit this year, some aren’t sure the 1.6 percent bed tax will be enough. To be really effective, the provider fee could have to be more than 2 percent, Lewis said.

While the provider fee would financially ding all hospitals, some would feel it more than others. Fiscally strapped rural hospitals would be at greater risk than some of the more financially secure metro Atlanta hospitals.

There are several hospitals to which the provider fee “would be a major annoyance to, but not a killer,” Lewis said. “These hospitals either don’t do very much Medicaid or have large cash reserves.”

If the state is out of options in dealing with the Medicaid shortfall, the hospital lobby realizes it might be out of excuses for why hospitals should not share in the pain.

“This session, we don’t have as much to fight with,” Lewis said. “We’re going to fight this for everything we’ve got. [But] I think what we’re going to see, is that the legislators are going to say, ‘At this stage of the game, everybody’s got to endure some of this pain. We can’t put all the pain in one camp.’