

A photograph of the Washington State Capitol building, a large neoclassical structure with a prominent dome and a portico supported by columns. The building is set against a clear blue sky, with green trees in the foreground and a paved plaza in front. The text is overlaid on the upper portion of the image.

The State's Budget Woes: What's in Store for Hospitals and Health Care?



Washington State Hospital Association

Presenters



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Presentation Outline

- State budget history
- Current state budget
- Cutting the state budget
- Provider cuts
- Ballot initiatives
- Your advocacy
- Questions and comments

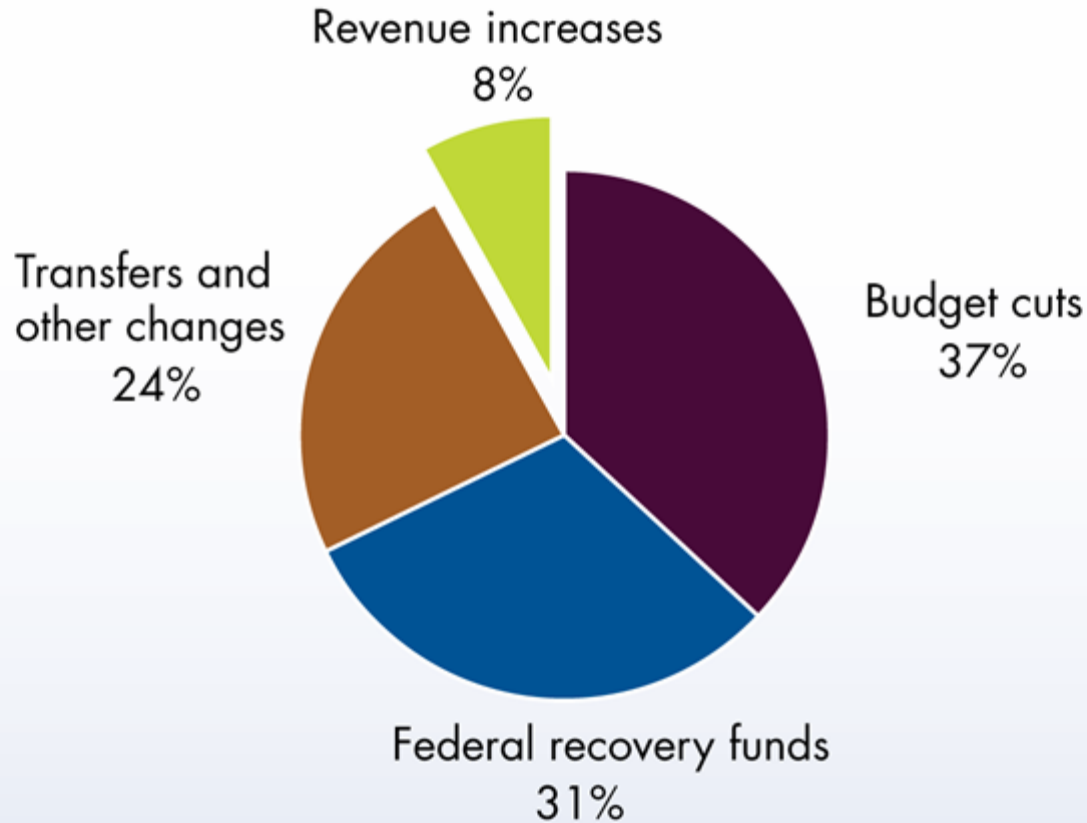


State Budget History



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Balancing the 2009-11 State Budget



Source: Washington State Budget & Policy Center analysis of data from OFM, DOR, and LEAP



Significant Health Care Cuts in 2009 and 2010

- Hospital rate cuts (mitigated by assessment)
- Basic Health
- Eligibility limits on Disability Lifeline (GA-U)
- Outreach for children's health



Revenue Raised in 2010

- *Total revenue package: \$800 million*
- Temporary B&O tax increase on service businesses (except hospitals)
- Cigarette and other tobacco tax increases
- Increasing taxes on the portion of business done in Washington by out-of-state companies
- Increasing taxes on non-essential items including candy, gum, and bottled water
- Temporary tax increase on beer and soda pop
- Closing tax loopholes



The Current State Budget



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Why is There a Deficit?

Increasing needs

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Decreasing resources

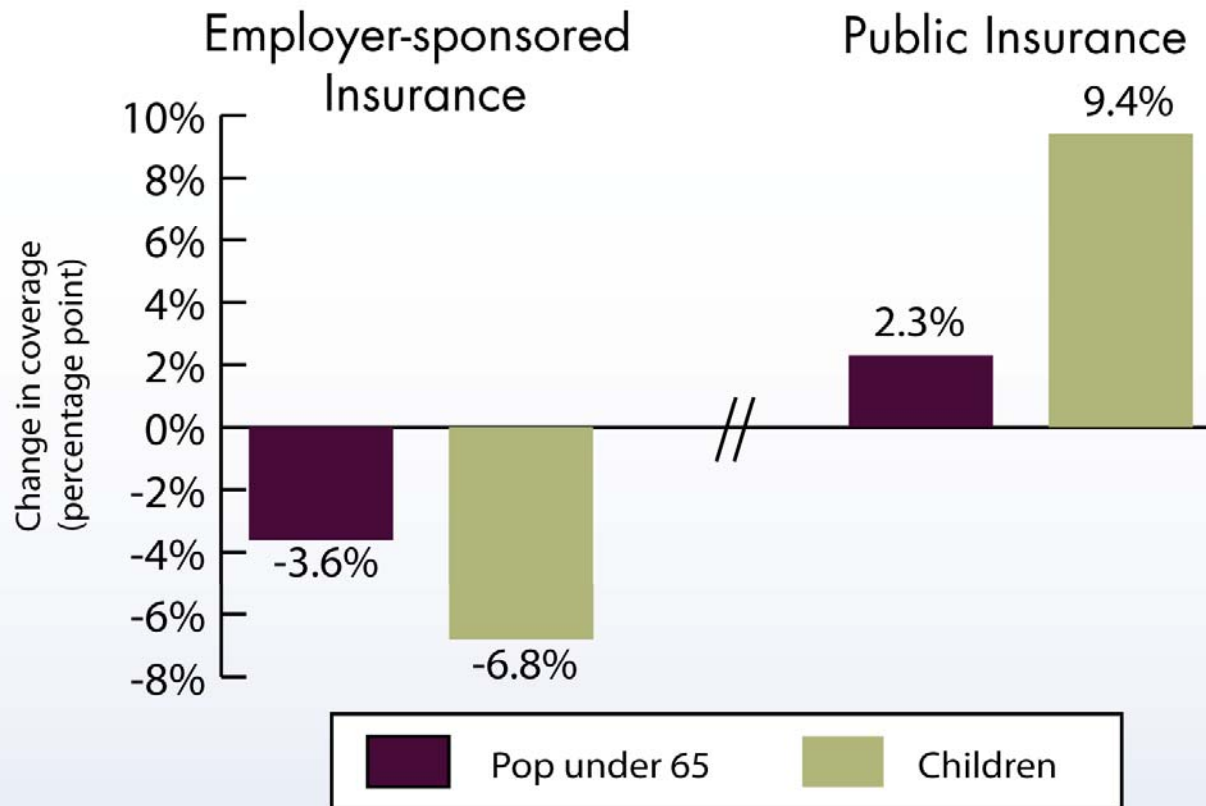
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State budget deficit



Increasing Health Insurance Needs

Change in health insurance coverage in Washington by type, 2006-07 - 2008-09

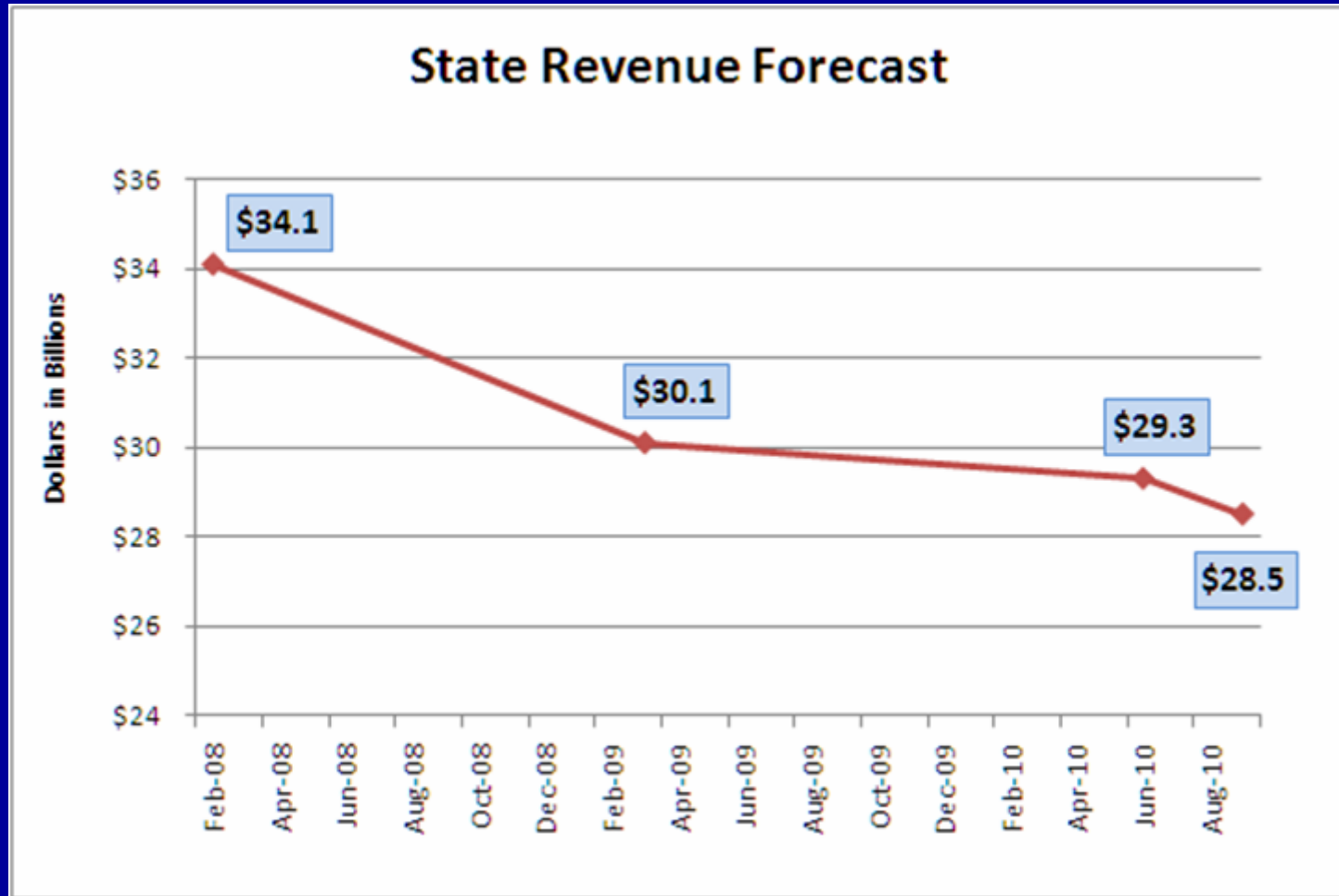


Source: Budget & Policy analysis of Census Bureau data (CPS)
Changes are statistically significant at a 90% level of confidence



Declining Resources: State Revenue Forecast Change

Dollars in Billions



Declining Resources: Sales Tax

Annual change in taxable retail sales, 1979-2011



Source: BPC analysis of data from the Department of Revenue



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Cutting the State Budget



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Who Has Authority to Do What?

- Governor:
 - ✓ Across-the-board cuts
 - ✓ No discretion in what areas to cut
- Legislature:
 - ✓ Line item budget changes
 - ✓ Additions and cuts
 - ✓ Raise revenue



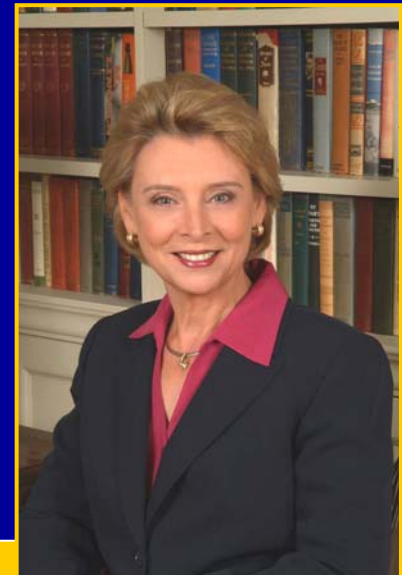
Three Big Whacks

- Governor's across-the-board cuts (\$520 million)
- State supplemental budget for remainder of 2009-2011 biennium (\$800-\$900 million)
- State operating budget for 2011-2013 (\$4 billion)



The Governor's Across-the-Board Budget Cuts

- Cuts of 6.3% (\$520 million)
- Allocated by departmental appropriation level
- Some things (much of K-12 education) exempt
- Medicaid share: \$113 million



Magnifying the Issue

- Biennial cuts spread over 24 months
- Across the board and supplemental cuts spread over 6 months, maximum
- Cuts must be deep to achieve savings goals



Timing



- Cuts made public October 1
 - ✓ Some effective soon
 - ✓ Some require public notice/comment period or change in law
- Legislature can modify what is cut during its session (January-April)
- Medicaid cuts scheduled for March must be modified by January 31 to not take effect



January Health Care Cuts

A Select List

Program Area	Number of Clients	Savings
Adult Dental, Vision, and Hearing	175,000	\$9.1 million
Alien Emergency Medical	1,300	\$8.6 million
Adult Hospice	2,600	\$4.6 million
Interpreters	70,000	\$3.3 million
Physical, Occupational, Speech Therapy	20,000	\$2.9 million

Savings numbers for six months



March Health Care Cuts

Program Area	Number of Clients	Savings
Adult prescription drugs	All enrollees	\$39.4 million
Disability Lifeline (GA-U)	21,000	\$20.3 million
Apple Health for Kids	27,000 children cut	\$10.1 million
Family Planning	43,000	\$1.2 million

Savings numbers for four months



Matching Funds at Risk

- For Medicaid programs, state loses federal money
- In most cases, a two-to-one match
- Effect on health system will be triple the amount reflected



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Provider Cuts



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No Direct Provider Cuts



Provider rate cuts

- ✓ Strong WSHA advocacy
- ✓ Likely to generate unwinnable lawsuits
- ✓ Assessment provides hospitals additional protection



Hospitals Still Hurt



Direct loss:

- ✓ Alien Emergency Medical
- ✓ Interpreters

Indirect loss:

- ✓ Loss in coverage increases charity care
 - Disability Lifeline (GA-U)
 - Apple Health for Kids
- ✓ Loss of benefits increases ER services





Potential Target Areas for Future Cuts



Can't Cut Medicaid Eligibility



Federal reform prevents Medicaid cuts

- ✓ Maintain current eligibility levels for adults levels through 2014 and children through 2019

State programs on chopping block

- ✓ Basic Health and Disability Lifeline



Rate Cuts



- Potential legislative target
 - ✓ Advocate pressure: cut hospitals rather than people or programs
 - ✓ Legislature: may not agree with Governor's risk assessment
- Other states (Kaiser)
 - ✓ In 2011, 37 states with planned provider cuts
 - ✓ “Under budget pressure, states turn to rate cuts.”



Co-Payments



- Only six states have no co-pays
 - ✓ Washington is one of them
 - ✓ Levied on admissions, days, outpatient services, and ER services
- On the other hand, won't save much
 - ✓ Federal restrictions on amounts
- Are they collectible?



Benefit Cuts



- States can restrict amount of care provided
 - ✓ Massachusetts has limited hospital care to 20 days per year
 - ✓ Several others with inpatient stay and outpatient visit limits



Policy Cuts



“Unnecessary” costs

- ✓ Emergency Room services
- ✓ Readmissions
- ✓ Cesarean sections
- ✓ Imaging



A photograph of the Washington State Capitol building, a grand neoclassical structure with a large central dome and a portico supported by six tall columns. The building is set against a clear blue sky, with green trees in the foreground and a paved plaza in front. The text "Ballot Initiatives" is overlaid in a bold, dark blue serif font across the center of the image.

Ballot Initiatives



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A Crowded Ballot

Initiative	Subject	Biennial Budget Effect
I-1053*	2/3 majority	Only cuts possible
I-1082	Worker's Comp	Unclear
I-1098	Income tax	\$3.8 billion for health and education
I-1100	Liquor	(\$55 million)
I-1105	Liquor	(\$190 million)
I-1107*	Repeal of non-essential taxes	(\$218 million)

** WSHA is opposed to I-1053 and I-1107; no position on others*



Who's Behind the Revenue-Cutting Initiatives?



Big Banks



“About the hardest thing to find in the citizens' initiative is an actual citizen.” – Seattle Times

Initiative 1053

- Restores supermajority or public referendum vote on all tax increases
- Restores non-binding public advisory vote
- Would undermine prospects of a balanced approach in the coming years

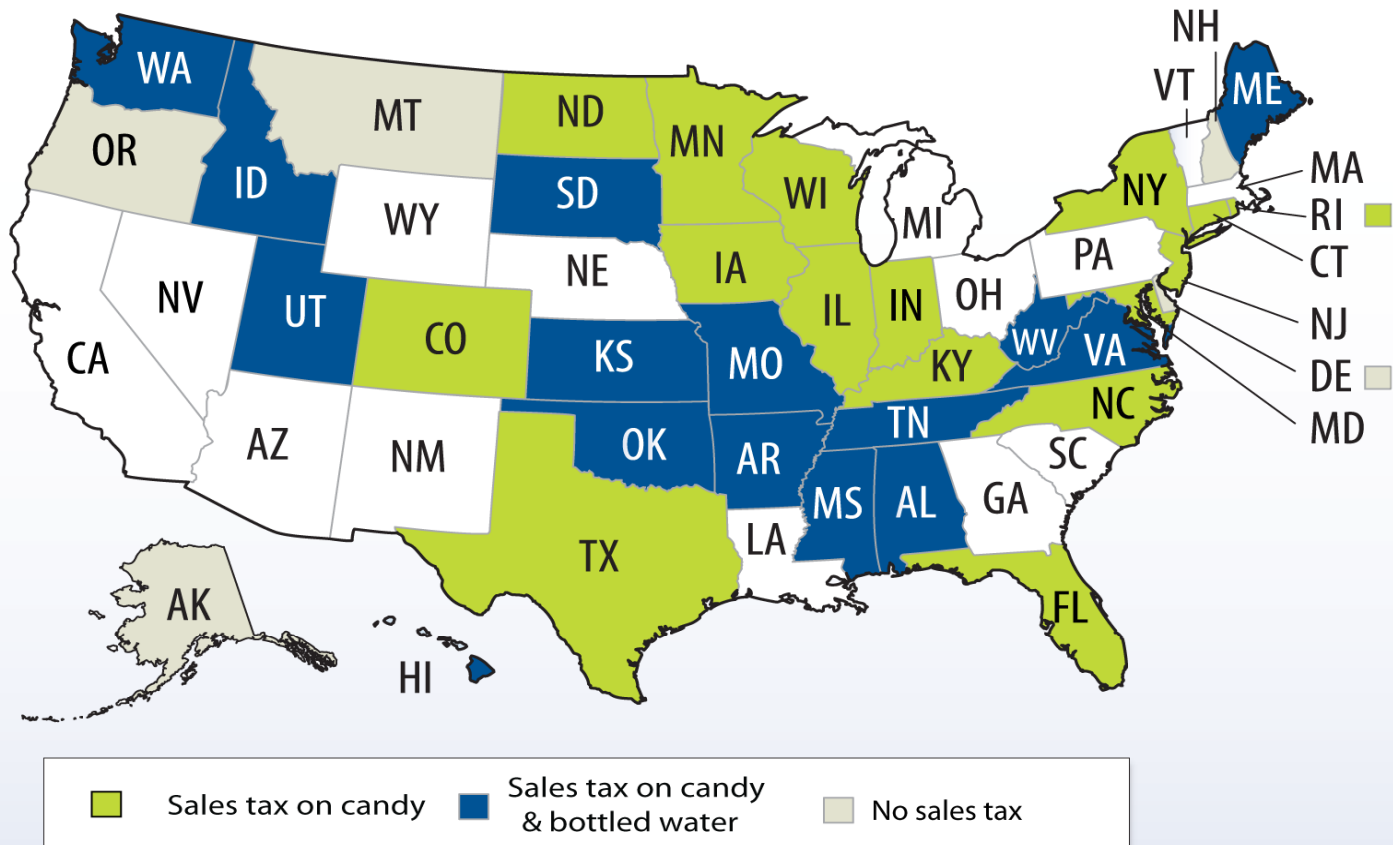


Initiative 1107

- Eliminates taxes on non-essential products
- Taxes that would be repealed are common and reasonable
- Revenues help to preserve essential public programs, particularly health care and education
- Public health benefit of higher taxes on soda and candy



State Sales Taxes on Candy and Bottled Water



Source: Budget & Policy Center survey, analysis of data from ImpacTeen





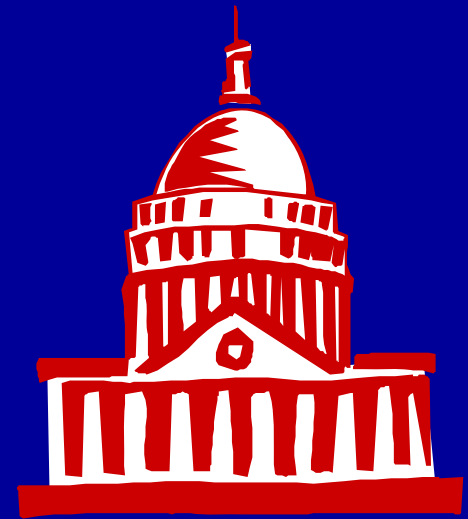
Your Advocacy
We Need Your Voice!



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Make Plans for November!

- Make an appointment with your legislators now
- Join with other hospital leaders in your area



Key Messages

- Hospitals cannot sustain payment cuts
- Cuts to health care are devastating and unsustainable
- Cuts will directly impact hospitals
- We need a balanced approach to our economic problems – one that includes both targeted spending cuts *and new revenues*





Questions and Comments

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