

To: House Health and Human Services Committee

From: Amanda L. Stanley, Legal Counsel

Date: February 8, 2017

RE: Support of HB 2064

I want to thank Chairman Hawkins and the Committee members for allowing the League of Kansas Municipalities to testify in support of HB 2064, The Bridge to a Healthy Kansas.

The failure to expand KanCare has resulted in an increased financial burden on municipalities that is felt in small and large cities, alike.

When the local hospital closes, it causes a ripple effect on the city's economy. In most cases, hospital staff will leave the community resulting in an immediate decreased property and sales tax base. Closure of a hospital in a community can reduce per capita income by nearly 4% (\$703).<sup>i</sup> The closure of a rural hospital can increase unemployment by 1.6%.<sup>ii</sup> Additionally, the closure of a hospital makes it more difficult to attract new business to the community. Companies will not locate to areas without adequate access to healthcare. To put this in perspective, due to a lack of KanCare expansion, the city hospital in Parsons loses \$3 million per year. The city hospital in Coffeyville loses \$2 million per year. These large financial losses have forced municipalities to financially supplement local hospitals in various ways in order to mitigate the economic fallout to their communities.

For example, in Wellington, the hospital is city owned, but is operated by an appointed Hospital Authority Board. The city has abated utilities a number of times over the years, notably the hospital's utility bill has not been paid since November 2014. The city is also covering bond payments the hospital has been unable to make since 2014. In late 2014, a loan was provided to the hospital from the city in excess of \$800,000. The City of Fredonia has supported the Fredonia Regional Hospital since 1986 through a 1% city-wide sales tax. Over the last ten years the tax has provided over \$3.8 million to ensure the hospital has remained accessible. The hospital is currently the fourth largest employer in the city and its loss would severely impact the city's economic future.

In communities in which the hospital is privately-owned, owners are willing to shut down the hospital if there are poor revenue streams. This was seen in Independence in October 2015 when the local hospital closed. Due in part to a lack of KanCare expansion, the city hospital prior to closure lost nearly \$1.6 million per year. In 2014, 14% of the people the hospital served were uninsured (11% are uninsured statewide). As a result, the hospital had a higher reliance to pay their bills on those with private insurance. In southeast Kansas, only 51% of the public are privately insured (compared to 65% statewide). The hospital directly cited to the importance of Kansas' failure to expand Medicaid in its decision to close. To accommodate the hospital's closure, Independence's EMS services' budget had to increase by \$300,000 in a one-year period to obtain the necessary equipment to accommodate the 22-mile trip to Coffeyville's community hospital.

Kansas residents are paying federal taxes to help other states expand Medicaid while at the same time shouldering an increased local tax burden in order to maintain essential healthcare services in their communities. This increased burden is unsustainable for municipalities and tax payers. With the implementation of the tax lid, municipalities will be faced with a choice between continuing to supplement the local hospital so the community can maintain vital healthcare services crucial to sustaining the local economy or cutting such aid for the sake of providing other essential governmental services also crucial to sustaining the local economy. This choice can be avoided by expanding KanCare.

For these reasons the League and its member cities urge you to send The Bridge to a Healthy Kansas to the full House for consideration.

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<sup>i</sup> Holmes, G.M., Slifkin, R.T., Randolph, R.K., & Poley S. (2006). The effect of rural hospital closures on community economic health. *Health Services Research, 41*(2).

<sup>ii</sup> Id.