

## **Don't Tax County Citizens for the State's Failures**

Contrary to reports, the County Council has taken no action to close the Hospital System. We have funded \$46 million of County taxpayer subsidies in recent years to keep the System open and we intend to keep it open. Claims that the Hospital System will close are being made by hospital management and some politicians to create a political furor. This irresponsible tactic has been used before and is very effective because it forces band-aid cash infusions, and lets off the hook those people who can effect the structural changes.

Last Monday, the Council refused to endorse a very flawed State bill (HB 510) that fails to address most of the root issues that prevent the Hospital System from being self-sustaining. Mostly, HB 510 throws large sums of your tax dollars at a problem caused by years of inept hospital management, a malfunctioning State regulated hospital rate system and the impact of surrounding jurisdictions pushing their uninsured on hospitals in our County. Because HB 510 fails to address these root issues, we would simply continue to waste tax dollars.

The theory underlying HB 510 is that a capable suitor can be found for the Hospital System by removing the main financial hurdles. Thus, HB 510 makes County taxpayers pay almost \$150 million of private debt, give up almost \$100 million of buildings and land without guarantee that the value would be credited, and potentially commit the County to underwriting a 30-year bond for a new hospital facility. However, HB 510 does not address the currently malfunctioning rate structure that is a major part of the problem, or the under-funded pension plan that is bleeding the Hospital System (except to make you pay for management's ineptitude). Last, the General Assembly hurt the Hospital System by failing to adopt a bill expanding health insurance coverage.

Doesn't the County have an obligation to fund a hospital system and fix its problems? That is the way the debate has been crafted to veil the real issues. Actually, every county got out of the hospital business over 25 years ago and *no* county funds a hospital system. All Maryland hospitals are privately owned and operated.

Maryland established a regulatory scheme to control hospital rates, provide financial stability for hospitals and have hospitals share the cost of uncompensated care. This framework does not expect any County to subsidize a Hospital System. The State does this under a "waiver" from Federal law, and it is the *only* State to do so. To maintain its waiver, the State has to keep hospital rates from rising faster than the national average. In the 1990's, the State's rates were rising too fast (they still are), placing the State's waiver at risk. To save its waiver, the State changed the rate regulations in 2000 as a 3-year pilot program. Dimensions went from profitable to virtually bankrupt almost overnight, bleeding almost \$20 million a year since then. As rate structure changes caused Dimensions to collapse financially, State officials have done very little.

While the State has given almost \$85 million in operating grants to the University of Maryland Medical System in Baltimore since 1995, we have had to beg to get \$10 million. To fill the gap in this funding inequity, the County taxpayers have subsidized \$46 million over the same period. No other County taxpayers are asked to do this because the State rate system works for them.

The State rate Commission's mission is to contain hospital costs, improve access to life-saving care, maintain equity in hospital payments, and provide financial stability and predictability for payers and hospitals. State law requires the Commission to assess the underlying causes of hospital uncompensated care and seek the most appropriate alternatives to reduce uncompensated care and assure the integrity of the payment system. The Commission may adopt regulations establishing alternative methods for financing hospital uncompensated care provided that the alternative methods are in the public interest, will equitably distribute the reasonable costs, and will fairly determine the cost of reasonable uncompensated care included in hospital rates.

The rate Commission should follow the statutory mandate and address the structural inequities. The rate system fails to provide financial stability and predictability or to address the causes of hospital uncompensated care. Making County taxpayers pay an excise tax for health care to serve as the insurance company for the region's poor is not the answer. Our taxpayers deserve equitable treatment and a comprehensive long-term solution.

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