

To: Members of the Senate Committee on Health Policy and Human Services

From: Peter Marinoff, President, Munson Healthcare Paul Oliver Memorial Hospital, Frankfort

Date: Feb. 14, 2019

Subject: Testimony on behalf of the Michigan Health & Hospital Association about the characteristics of rural hospitals in Michigan

Chairman VanderWall, Vice Chair Bizon and Minority Vice-Chair Brinks:

Good afternoon, and thank you for the opportunity to provide testimony before this committee on the importance of rural hospitals in Michigan.

I hope that through my presentation today, you will gain a better understanding about the operations of rural healthcare providers and the importance of maintaining an even regulatory and supportive funding environment to ensure their continued success.

As you may know, Munson Healthcare Paul Oliver Memorial Hospital, or POMH for short, is located in Frankfort about 40 miles south of Traverse City. We are a nonprofit hospital governed by a 17-member community board and part of the Munson Healthcare system.

While we may appear unassuming and picturesque situated on a hilltop overlooking Lake Michigan, inside our four walls, POMH provides a broad range of sophisticated quality diagnostic, emergency and specialty care services. This includes infusion, mammograms, hearing tests, diabetes care, heart failure care, physical therapy and rehabilitation services. Specialty outpatient surgeries and procedures are also performed.

In addition, as one of the nine hospitals in the Munson Healthcare system, which is the largest and leading healthcare provider in northern Michigan, Paul Oliver leverages the specialties and tertiary care provided by Munson Medical Center and the rest of the Munson system, including Level IV Trauma Center emergency services, laboratory, radiology, dialysis and skilled rehabilitation and long-term care services. This allows us to maintain a bottom line that lets us reinvest in our community.

Our reinvestment into our community is where healthcare is changing the most, as POMH has moved beyond the four walls of a traditional hospital and has made investments in our community to address the needs of our patients and improve their overall health. POMH's investments include providing movement and balance classes in the community, food prescription programs, physician dinner series, free fitness classes, athletic training in schools, and water safety to name a few. All are designed to help keep people out of hospitals through education and activity.

If you were to look at the balance sheet for POMH, you would see that the majority of our income or payments come from the state and federal government via Medicaid and Medicare reimbursements. This accounts for almost three quarters of our annual revenue and places us at the mercy of what the state or federal government will reimburse us for our cost of providing care. Typically, these reimbursements are 80 cents on the dollar of our cost to provide care, which means that on over half of our business, we are taking a 20 percent loss.

Thankfully the state and federal government has recognized the fragility of rural hospital finances and has created several special funding designations that are critical for our survival.

Brian Peters, *Chief Executive Officer*

The federal government has designated POMH, along with 35 other hospitals in the state as “Critical Access Hospitals” meaning we are located more than 35 miles from another hospital or certified by the state as being a necessary provider of healthcare services. This designation allows POMH to be reimbursed at reasonable cost for our Medicare patients, helping to offset the loss that we would otherwise typically sustain on these patients.

The state Legislature has also recognized the importance of rural hospitals such as POMH and several years ago created the Small and Rural Access Pool, which allocates state general fund dollars to a funding pool that is distributed only to Michigan’s rural hospitals. For POMH, the rural pool provides an investment of almost \$150,000 annually in our operations. We are hopeful that the Legislature will continue to support general fund dollars for the Small and Rural Access Pool and also consider including an allocation specifically for Critical Access Hospitals in your fiscal year 2020 budget.

On the other side of the balance sheet, our costs continue to climb, especially for pharmaceuticals and durable goods as well as recruitment and retention costs. This results in a razor thin bottom line, typically in the 2-4 percent range, which is then reinvested into our people and facilities to ensure that POMH is able to sustain itself into the future.

According to a recently released report on rural hospitals from the American Hospital Association, nearly 20 percent of Americans live in rural areas and depend on their local hospitals as important and often the only sources of care in their communities. Further, rural hospitals such as POMH serve as economic anchors in our communities, providing both direct employment opportunities and indirect reinforcement of the local economy through the purchase of goods and services from other private sector entities.

While POMH has continued to thrive, other rural hospitals in this state and country have not fared as well. The North Carolina Rural Health Research Program reports that nationwide 95 rural hospitals have closed since 2010. In addition, the Government Accountability Office reports that more than twice the number of hospitals have closed between 2013 and 2017 than in the previous five-year period.

Therefore, your support, both from a regulatory and funding perspective is critical to our very survival and the health and well-being of the people we serve.

And those people, those patients are at the very heart of our mission. They are the reason we exist and are the focus of our “true north” way of doing business, keeping the patient at the center of it all. In closing, I will leave you with a few quotes from POMH patients that I think illustrate the value and importance of our hospital and Michigan’s rural hospitals.

“Had Paul Oliver not been there, I don’t think my wife would have made it. We got there, and I knew she was safe. I knew then and there that she was in good hands. They were not going to let anything happen to her. Those people were very competent. This is really a great little hospital.”

“The best little hospital this side of the Atlantic. They may be small in size, but they have the biggest heart. The care was truly caring.”

Thank you again for this opportunity, and I would be happy to answer any questions that you might have.