

Virginia Hospital & Health Systems: Economic Role, Current Trends and State Budget Impacts

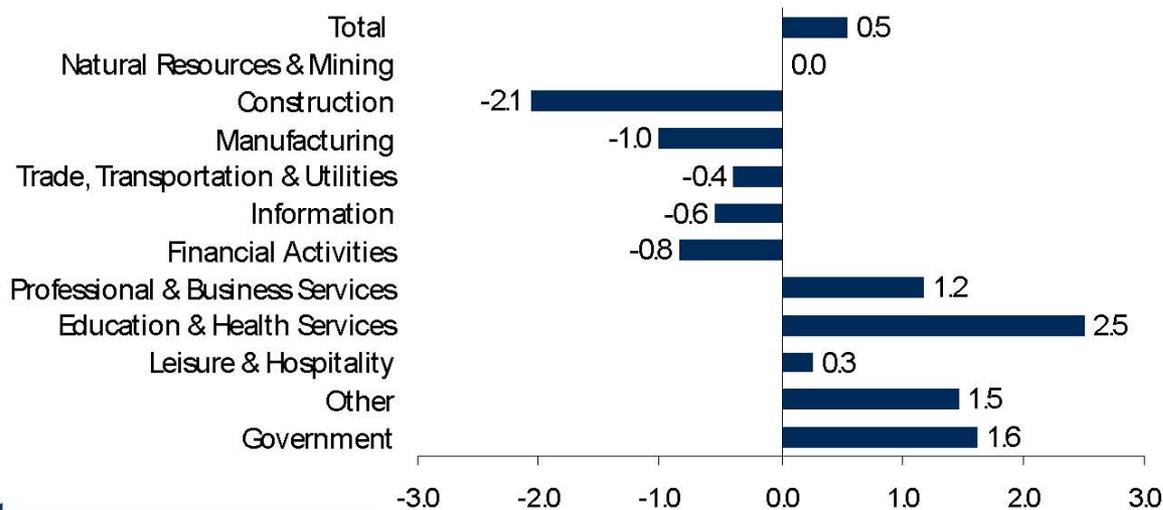
**Senate Finance Committee
HHR Subcommittee
January 26, 2009**

Hospital & Health Systems Economic Role

- **Statewide Economic Impact**
 - **\$28.4 billion**
 - \$12.6 billion direct, \$15.8 billion indirect
 - **176,000 jobs**
 - 98,000 direct plus 78,000 in communities
- **Community benefits > \$727 million**
 - **Fundamental role in safety net**
 - **24/7 services available to all**
- **Essential to rural communities**
 - **Always among top three employer, often #1**

Healthcare Central to State Economy

Virginia Payroll Employment Year-over-Year Percent Change, September



THE FEDERAL RESERVE BANK OF RICHMOND
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Current Economic Pressures

- **Uncompensated Care**
 - **Bad debts up 20%***
 - **Medicare and Medicaid losses growing**
- **Capital Costs**
 - **Available credit markets tight**
 - **Capital projects being cancelled, delayed**
- **Total Margins**
 - **Down 24%***



Bottom Line: Health systems already announcing reductions in force, postponing or canceling of planned new services or facilities – before the results of state budget cuts.

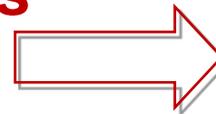
FY10 Cuts – Current, Proposed & Potential

Medicaid Cuts Have Double the Impact

	State Saves	Impact on Health Care
Carry-Forward of '08 Actions •limiting inflation for hospitals and nursing homes	\$16	\$32
Governor's Introduced Budget •Hospital cuts, SNF actions, elimination of IHCTF and SLH	\$49	\$98
Total	\$65	\$130

	Virginia Health Care Fund Loses	Impact on Health Care
If the cigarette tax increase is rejected •And additional Medicaid cuts are made	\$155	\$310

Total Proposed & Potential Cuts to Health Care Services



\$440 million

Impact of Deep Medicaid Cuts on Jobs

If the additional cigarette tax is rejected and another \$310 million is cut from Medicaid:

- **Direct health care jobs at risk 6,321**
- **Community jobs at risk 4,994**
- **Total Virginia jobs at risk 11,314**

Medicaid Core Lessons

- Especially during tough budget times, Medicaid is an essential safety net for the Commonwealth's most vulnerable
- Medicaid multiplier effect means for every GF dollar saved, two-dollars are cut from services
- Virginia Medicaid is already extraordinarily lean
 - 48th in spending/capita
 - 45th in state health spending as a share of state budget (17%)
- Health care providers cannot absorb cuts of \$440 million

Further significant Medicaid cuts will have consequences on jobs and access to services for all Virginians

Deep Medicaid Cuts vs. Cigarette Tax Increase

Option A – adopt the proposed cigarette tax increase

- Cigarette use is discretionary
- The tax will help fund essential services
- It will draw federal matching funds and lessen inflationary pressure on private business costs
- It will save health care and community jobs, especially in rural areas
- After the tax increase, Virginia's state tax will still be about half the national average

Option B – reject the cigarette tax increase

- Levy \$150 million more cuts on other core services; or
- Cut even more deeply (\$300 million) into Medicaid, a program that:
 - Is strongly supported by > 85% of Virginians*
 - Is already extraordinarily lean
 - And is needed most in times like these

Conclusion

Hospitals did not seek the role of advocate for a tobacco tax increase this year, but faced with the alternatives our members believe strongly that the proposed cigarette tax increase should be included in the Commonwealth's plan to balance the state budget.

Doing so is:

- **Sound fiscal policy**
- **Better for business**
- **Conducive to preserving access to care**
- **In the best interest of the vast majority of Virginians**