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Testimony of Amy Astin
Chief Administrative Officer, External Affairs for Benefis Health System
House Appropriations Committee
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Benefis is a not-for-profit, locally owned and locally governed community health system in Great Falls. Benefis operates 502 licensed beds and employs approximately 2,400 personnel. Our service region is vast, covering 225,000 residents within approximately 45,000 square miles, and household incomes tend to be lower in this swath of northcentral Montana.

Benefis is a mission driven organization, and recognizing the needs of our region, remains very committed to ensuring high quality care as a low-cost and low-charge hospital. And like other not-for-profit hospitals, Benefis provides healthcare for all – without regard for ability to pay.

Benefis provides 17% of Montana's Medicaid inpatient care. In 2007, the value of that care was \$25.8 million. Medicaid paid \$18.7 million. So Benefis lost over \$7.1 million on Medicaid inpatient stays – due to low reimbursement.

As you know, the utilization fee is designed to offset some of those losses and this is accomplished through an efficient federal matching process. For example, Benefis can leverage the dollars for the fee from an operating account, and receive our federal matching dollars within about a month. It's a speedy process, and no fees of any kind are ever passed along to our patients. So while the utilization fee is often referred to as the "bed tax" that's really a misnomer.

The return on the utilization fee doesn't make up our entire Medicaid loss, but it significantly mitigates that loss.

To complete the 2007 story, Benefis would have lost \$7.1 million on Medicaid inpatient care without the matching funds from the utilization fee. However, through the utilization fee process, we paid \$2.6 million, and received over \$7.5 million from the federal government (through the state), netting \$4.9 million to help offset that original loss. So the net value of the utilization fee program to my hospital was \$4.9 million in 2007.

That \$4.9 million offset 69% of our original \$7.1 million loss on Medicaid. At the end of the day, Benefis sustained a \$2.2 million loss for the provision of those Medicaid services – versus \$7.1 million.

To provide some additional context for the value of this program to my hospital, Benefis' operating income that same year was \$7.9 million – so the \$4.9 million we netted through this matching program was worth 62% of our bottom line.

To be considered a healthy, not-for-profit community hospital, the hospital must have, at minimum, a 3% operating margin. Because our Medicaid losses were substantially mitigated through the utilization fee process, our net operating income totaled \$7.9 million -- and that represented a 3.8% operating margin for our organization.

The utilization fee mitigates our Medicaid losses to such a degree that we can provide the care and remain a financially viable community hospital. It's an absolutely critical factor in our bond rating, and our continued ability to provide high quality, accessible care for our region.

Benefis is the largest Medicaid provider in Montana, but in 2007 the utilization fee netted over \$36 million for hospitals across our state, so it's crucial for many other hospitals as well, and I urge your support for this bill to eliminate the sunset on this program.