



Oklahoma
State
Senate

Legislative Brief

August 2002

The Community Hospitals Authority Act

Issue Background

Oklahoma has the third-highest percentage rate of uninsured persons in the nation. Nearly 100,000 Oklahomans joined the uninsured ranks in 2000, according to the last Census. One in five Oklahomans, or about 634,000 persons, lacks basic medical insurance. This high percentage of uninsured persons is partially attributed to the state of the economy and the rising cost of health care.

Uninsured persons who seek medical care and are unable to pay are provided indigent care. Unless a funding source is available for indigent care, hospitals must somehow absorb the cost of this uncompensated care. Statewide, the Oklahoma Hospital Association has reported that hospitals receive only 52 cents on each dollar of care provided. Rural hospitals receive less as a percentage of cost of care provided than do urban hospitals. Even before recent state budget woes reduced the number of persons eligible for Medicaid, Oklahoma ranked 49th in hospital Medicaid reimbursements. In addition, there have been sharp reductions in Medicare rates and other unfavorable conditions exist, including staffing shortages, which have eroded many hospitals' financial positions.

Tulsa, the largest community in the United States without a publicly funded hospital, depends upon private hospitals to provide indigent care. Tulsa city officials have stated that such services for citizens of Tulsa and the surrounding environs cost Tulsa private hospitals \$83 million in 2000. Of the total, \$43 million was spent for citizens of Tulsa County and \$40 million was spent on indigent patients from rural hospitals who were sent to Tulsa because of the complicated nature of their cases. In order to offset the cost of indigent care, Tulsa's hospitals use foundation support or shift non-reimbursed costs of indigent care to insured patients. It is reported that Tulsa hospitals use at least \$9 million in private funds for indigent care.

In Oklahoma City, state-appropriated dollars which fund indigent care are coordinated by the University Hospitals Authority. Services are provided by the OU Medical Center. University Hospitals Authority received an appropriation of \$41,499,895 for FY'03. Of this amount, \$17,350,000 is used as state matching funds for the Graduate Medical Education (GME) program. This is a state wide program that benefits all teaching hospitals for the costs associated with maintaining a residency program and providing care to Medicaid patients. These state funds will be used to draw down approximately \$41,293,000 in federal funds. The combination of \$58,643,000 in state and federal funds is divided among all teaching hospitals with those in Tulsa set to receive approximately \$26,182,887 in FY'03. The

University Hospitals Authority also provides \$6,021,414 in state matching funds for the Direct Medical Education (DME) program that benefits the University of Oklahoma and Oklahoma State University. This program is designed to help the universities defray the costs associated with running a medical school. The remaining \$18,128,481 of the University Hospitals Authority's allocation is used to offset a contractually determined amount of care to patients of the Department of Corrections and other indigent patients. The Department of Corrections accumulated \$14,504,864 in bill charges at OU Medical Center in 2001.

Summary of Actions

HB 2901 (Roach/Smith) created the Community Hospitals Authority, similar to the University Hospitals authority in Oklahoma City, which enables the three major hospitals in Tulsa, St. John and Hillcrest Medical Centers and St. Francis Hospital, to form a partnership to coordinate medical service delivery with the potential to better leverage local funding to maximize federal matching funds. The Authority will be overseen by a six-member board and will help fund indigent care at Tulsa hospitals without taking funds away from any other hospitals in the state.

The six-member board overseeing the Authority is composed of the presidents of the University of Oklahoma and Oklahoma State University or their designees; an appointee of the governor with no direct affiliation with the universities or the hospitals; an appointee of the House speaker and an appointee of the Senate president pro tem; and the director of the Oklahoma Health Care Authority.

The Authority:

- cannot issue bonds, employ personnel or acquire any real property;
- can budget and expend money it places into its revolving fund, provided that local Authority money would be matched with federal money when-ever possible; and
- cannot receive state appropriations, except those it is entitled to through the Medicaid Program, provided that any state money for the Tulsa hospitals be appropriated to the Oklahoma Health Care Authority, which can obtain federal matching funds that can be distributed to all hospitals in the state that care for indigent patients.

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