JOHNS HOPKINS
UNIVERSITY & MEDICINE
Government and Community Affairs

SB 192

Support with Amendment

TO: The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee

FROM: Mary Clapsaddle
Director, State Affairs

DATE: February 26, 2020

Thank you for the opportunity to provide testimony regarding **SB 192 – Budget Finance and Reconciliation Act.** Johns Hopkins supports this legislation with amendments.

We understand the overarching objectives to craft a budget that is balanced, fund key priorities, and provide for appropriate levels of reserves. However, there are three areas that we believe require amendment in order to implement previous policy decisions made by the General Assembly.

First, the Governor, in his BRFA, abandons the ***Sellinger*** formula for the out-year support of independent colleges and universities. As you know, the General Assembly intentionally linked the funding formulas for independents, community colleges, and the Baltimore City Community College to the per student funding for public institutions. All segments collectively provide the breadth of choice for Maryland residents and should rise and fall together, budgetarily. During the lean years of the Great Recession, MICUA agreed to slow the increase in the Sellinger formula as a way to "do our part," but the statute called for a path for the formula to reach its full level of 15.5% of public spending per student in fiscal 2021. The Governor not only level-funds the total program at the fiscal 2020 level, but level-funds each institution for fiscal 2021, ignoring the dynamics of the formula. In the past, the General Assembly has rejected this approach, and, even if full funding is not provided, has directed that the funding flow through the formula.

More troubling is the rewrite of the law for fiscal 2022 and thereafter. Again, the Governor rejects the policy decision of the General Assembly as articulated in the formula. There is no logical reason to reject the formula for just this one segment of higher education, and the factor of one percentage point less than general fund revenue growth seems arbitrary.

Johns Hopkins, along with MICUA and its other members, would be happy to work with the committee on a multi-year formula approach, if needed, to reach the policy goal of funding 15.5% of spending on public university students.

Secondly, ***community providers*** are a vital part of the continuum of care for Marylanders; therefore, we respectfully request the restoration of community provider rates increase to

4%. This increase was promised last year as a result of the increase to the minimum wage. Community providers serve the most vulnerable populations through behavioral health, home health care, and adult medical day care services.

Community providers have been underfunded for years, and the changes last year to the minimum wage have only made operating costs more challenging. These fiscal challenges are not sustainable and will inevitably cause the closure of these valuable resources, which is not something the continuum of care can absorb. Community providers deliver essential services to aid patients after discharge from hospitals, preventing readmissions and creating a healthier Maryland.

Third, Johns Hopkins Health System, representing four hospitals in Maryland, respectfully requests that the General Assembly provide the promised $25 million reduction to the ***Medicaid deficit assessment*** in the state's final fiscal 2021 budget. We also urge the committee to reject the Department of Legislative Services' recommendation to maintain the assessment at the current fiscal 2020 level and to eliminate the commitment to reducing it in future years.

In 2015, Governor Hogan and the Maryland General Assembly committed to reduce the assessment by $25 million annually. The changes made in this budget do not reflect the commitment.

The assessment, passed in 2009 as a temporary measure to shore up a deficit in the state's Medicaid program, was just $19 million that first year, but ballooned to $390 million in 2015. Reducing the assessment yields multiple benefits for individual Marylanders and for the state. First, it lessens a financial burden on hospital patients, because the assessment adds approximately two percent to every hospital bill in Maryland. Additionally, the assessment artificially inflates Maryland's health care spending, which puts additional pressure on the state's ability to meet the cost-saving requirements of the Total Cost of Care agreement with the federal government.

Reducing and eventually eliminating the assessment in no way financially benefits hospitals; rather it is a direct reduction in health care costs. Continuing to reduce it is key to demonstrating to the federal government Maryland's determination to reduce health care costs and meet the requirements of the Total Cost of Care agreement.

Thank you for the opportunity to offer this testimony in **support of SB 192 with amendments**.

cc: Members, Senate Budget and Taxation Committee
President, Bill Ferguson