



# RURAL HOSPITAL COALITION

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January 23, 2017

Governor John Bel Edwards  
Office of the Governor  
PO Box 9404  
Baton Rouge, LA 70804

Dear Governor Edwards,

On behalf of the Board of Directors and over 40 hospital members of the Rural Hospital Coalition, I am writing this letter to ask you to oppose the deficit reduction plan recently proposed by Representative Lance Harris. Representative Harris' proposal which would eschew the use of available Rainy Day funds and instead address the totality of the current year deficit with budget cuts late in the fiscal year is irresponsible and reckless. Of particular concern to our members is the part of Representative Harris' plan that would cut funding for the Louisiana Department of Health (LDH) by \$147 million. When combined with the loss of federal matching funds the total cut is over \$420 million. Such a cut happening late in a fiscal year could have dire consequences for rural hospitals in Louisiana and would be in direct conflict with the requirements of the Rural Hospital Preservation Act.

As a former Deputy Secretary and Undersecretary of the Department of Health and Hospitals, I know all too well the consequences of such a reduction. The only source of funding available to LDH this late in a fiscal year for a budget cut this size would be in the Medicaid program. In addition, LDH would have no choice but to cut optional Medicaid programs rather than mandatory programs in order to ensure the continued receipt of federal matching funds so as not to decimate the entire Medicaid program. Optional Medicaid programs such as disability waivers and supplemental funding for hospitals providing services to Medicaid recipients and the uninsured would definitely be on the cut list.

Of particular concern to our members is a devastating cut to supplemental Full Medicaid Payments (FMP) to rural hospitals all over Louisiana. As noted above, this program is an optional Medicaid program, yet it is a lifeline to our rural hospitals. Without this supplemental funding, most rural hospitals in our state would close leaving large swaths of our state without healthcare. This is not just a theory but a fact because that is what has happened in other states. Since 2010, 80 rural hospitals in this country have closed and 700 more are considered at risk. In fact, three rural hospitals in Louisiana recently declared bankruptcy.

Rural hospitals in Louisiana are teetering on the edge and it would only take a slight nudge like cutting supplemental funding to push them over the edge. Our rural hospitals depend on monthly supplemental funds to meet payroll and pay their bills. Unlike large hospital systems, rural hospitals lack the cash reserves to be able to weather a disruption in their cash flow. A recent (2015) survey of rural hospitals in Louisiana indicate that 70 to 75% of them have marginal or severely underfunded cash reserves. A few of our rural hospitals have less than 10 or 15 days of reserves, so that any disruption of cash flow could have catastrophic results not only for healthcare

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in their parishes but also lay waste to the economies of the small towns where they are located. In many rural parishes, rural hospitals are either the largest or second largest employers in those parishes.

For all these reasons, I urge you and your administration to resist Representative Harris' proposal. Otherwise the healthcare and economic wellbeing of Louisiana's rural parishes and communities are at risk.

Sincerely,



Charles Castille  
Executive Director  
Rural Hospital Coalition

cc: Board of Directors, Rural Hospital Coalition  
Dr. Rebekah Gee, Secretary, Louisiana Department of Health