



North Dakota Hospital Association

**Vision**

*The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.*

**Mission**

*The North Dakota Hospital Association exists to advance the health status of persons served by the membership.*

## **Health Care Reform Review Committee September 6, 2012**

Chairman Keiser, and members of the Health Care Reform Review Committee, I am Tim Blasl, Vice President of the North Dakota Hospital Association. I've been asked today to provide some information regarding the Frontier States amendment.

### **What is the Frontier States Amendment?**

This policy, which is part of the Affordable Care Act, recognizes unique challenges facing Frontier States as they provide access to medical services for their seniors. The Frontier States amendment adjusts Medicare reimbursement for health care providers in low-population areas. A "Frontier" state is defined as a state in which at least 50 percent of the counties have a population per square mile of less than six. The states that qualify for this statute are North Dakota, South Dakota, Wyoming, Montana, and Nevada.

The current Medicare payment system is based on an amount per procedure and an amount intended to offset the cost of the healthcare workers who delivered these services. The wage index in frontier states is typically far below the national wage index – even though hospitals in these states compete in a national market for labor. The frontier states provision helps eliminate this provision from Medicare payment policies.

The hospitals in North Dakota impacted by this statute are located in Bismarck, Fargo, Grand Forks, and Minot. The state's Critical Access hospitals located in rural North Dakota are not impacted by this amendment because Medicare reimburses these facilities under a different payment system.

### **Why is this policy important to North Dakota?**

- Under this policy, an additional \$52 million per year for hospitals and \$16 million for doctors in Medicare revenue will flow to North Dakota – providing resources to mitigate provider shortages, upgrade outdated equipment and to ensure access to medical services.

- This policy helps mitigate the historic pattern of Medicare underpayment to North Dakota's hospitals and other frontier states.
- Health care costs in North Dakota, for example, are among the lowest per beneficiary in the nation while the quality of care is among the highest. Pre-frontier states North Dakota was one of the lowest reimbursed states in the country. The amendment now begins to level the reimbursement playing field so North Dakota is closer to the national average.

In addition, this new revenue generates additional spin-off revenue around the state.

- Frontier states' urban hospitals are the foundation for their states' health care network. They provide secondary and tertiary care, physician specialists, educational services and other resources to other health care providers within their states.

Senators Conrad and Hoeven, and Representative Berg have strongly supported the retention of this policy. The North Dakota Hospital Association is grateful for their efforts. The Frontier States amendment is very important to North Dakota because it provides jobs and continued access to high quality and affordable medical services.

Thank you for the opportunity to provide information regarding the frontier states amendment.

I would be glad to answer any questions at this time.