



**STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR**

CHRISTOPHER T. SUNUNU
Governor

August 8, 2019

Members of the New Hampshire Health Care Workforce Coalition,

As discussions with the legislature continue towards reaching a compromise on the next state budget, I wanted to update you on an issue that is both important to you and at the forefront of our negotiations - Medicaid provider rates.

New Hampshire's economy is very strong, with historic employment and wage growth. However, we know that workforce challenges are a hindrance to further economic expansion. This dynamic is critically borne out in the healthcare industry.

Medicaid provider rates affect not only workforce recruitment and retention, but also access to and the quality of services you provide. Over the past several years, my administration has proposed or put into effect several modest rate increases, including in mental health, Substance Use Disorder (SUD), and home and community care (CFI).

Additionally, my budget put forward several other proposals to address quality of care and workforce that we can all support:

- Proposed over \$160 million dollars over the next 10 years for an innovative student debt assistance and worker retention program that would have allowed students to become debt free after five years of living and working for a New Hampshire employer.
- Proposed investing nearly \$24 million into Nursing and STEM programs across the University System to double the number of nurses in our state.

These proposals represented the largest investment in the future of New Hampshire's workforce in our state's history. Unfortunately, the legislature passed over those proposals and have been unwilling to re-introduce them into budget negotiations.

What remains under consideration is Medicaid rates and I want to reiterate my position. Thanks to our robust economy, the legislature has more resources to address the needs of our state than ever before. While the legislature must find a financial balance among several important needs, we have the ability to address provider rates. Make no mistake, I can support fiscally responsible and sustainable rate increases.

The legislature has proposed a 3.1% yearly increase for all Medicaid providers. Health and Human Services Commissioner Meyers and I are wary of this approach. We prefer targeted increases to those who need it most.

For example, we believe some providers require more than 3.1% increase to remain regionally competitive for workforce, while others may need a smaller increase to be on par with neighboring states. Some Medicaid rates are already scheduled to increase 5% each year as part of the Disproportionate Share Hospital (DSH) settlement reached last year. The legislature's approach did

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not take these scheduled increases into account, resulting in larger compounded increases for the hospitals than our small providers. Additionally, some rates are federally mandates to increase. Here again, the legislature did not take this into account which will result in unequal increases for some providers.

Therefore, we believe it is prudent to give the Commissioner, with the assistance of the department's experts and independent actuaries, the authority to target increases to services in order to find the most equitable balance.

If the legislature chooses a flat, across the board approach, I could accept it as long as it part of a budget that balances within itself that does not leave a structural deficit. What is unacceptable is a spending increase so large that it returns us to the difficult days of 2011 when nearly \$900 million was cut from the state budget. This resulted in significant reductions in services for many of your clients. It was the massive overspending and use of one-time funds for ongoing expenses in the 2009 budget that led to the reductions in 2011. That cannot happen again.

In the end, we all agree that Medicaid provider rates affect workforce, access to care and quality of services. While we may differ in the best way to administer those increases, in the spirit of compromise I will set aside my concerns over inequity and accept the legislature's preferred approach as long as it does not threaten New Hampshire's long-term finances or the sustainability of our state to provide services.

Sincerely,



Christopher T. Sununu
Governor