

MIDWEST

By Joe Carlson

CHARLESTOWN, Ind. - The CEO of an Indiana hospital on the brink of financial insolvency is protesting an increase in state Medicaid rates. Merlyn Knapp, president and CEO of 64-bed St. Catherine Regional Hospital, said an increase in Medicaid rates for Indiana hospitals recently announced by Gov. Mike Pence fails to account for two years' worth of financial damage wrought when state lawmakers cut the rates in 2010. Like other states in the wake of the Great Recession, Indiana cut its Medicaid rates while levying new taxes on hospitals. The new taxes were supposed to be used to increase state spending on Medicaid, which in turn would increase federal Medicaid matching funds so the cost of the tax is covered by the increase in federal funds. For Knapp's hospital, it hasn't turned out that way. St. Catherine, an independent for-profit hospital in southern Indiana, filed for bankruptcy protection in the middle of a two-year period from 2011 to 2013 in which hospitals across the state had their Medicaid funds withheld to pay for the tax increase. In May, Knapp told U.S. Bankruptcy Judge Basil Lorch III that the hospital was weeks from being forced to close because it hadn't been paid by Medicaid since August 2012. State officials say the hospital owes a total of \$2.3 million for its two-year assessment. Lorch ordered the state to begin paying the hospital for its Medicaid patients. He also ordered the state to cease efforts to collect the tax from the hospital because the enhanced fee was considered a debt that pre-dated the bankruptcy filing -- a ruling that came in a preliminary injunction that hospital officials are now trying to make permanent. In June, officials with Pence's office and the Indiana Hospital Association praised the announcement of an increase in Medicaid rates as important for hospitals. In a letter to Modern Healthcare, Knapp wrote that the rate hike "only eliminates the reduction, while leaving in place the negative impact the original reduction had on cash flow." He urged other hospitals to analyze their own fiscal impact and contact lawmakers with the results.