



For Immediate Release
September 18, 2012

Contact:
Ellen Kugler, Executive Director
703-444-0989

Health Reform-Related Cuts Could be Damaging to Urban Hospitals

(Washington, D.C.) Major Medicare spending cuts and policy changes mandated by Congress could cause serious damage to the financial health of the nation's private, non-profit urban safety-net hospitals and jeopardize access to care in urban communities across the country.

In particular, a major reduction in special supplemental payments (called Medicare disproportionate share or Medicare DSH) made to hospitals that care for especially large numbers of low-income patients could cost individual private urban safety-net hospitals an average of approximately \$8 million a year in federal fiscal year 2014 alone, or \$56 million over the first five years the cut is in effect, and could plunge 60 percent of all private urban safety-net hospitals into the red while reducing their median operating margin to -2.0 percent.

Overall, these private urban safety-net hospitals, just 15 percent of the nation's acute-care hospitals, could suffer nearly one-half of future Medicare DSH spending cuts and more than one-third of the cuts associated with Medicare's new hospital readmissions reduction program, Medicare's reduced cost-of-living adjustments, its new productivity adjustments, and the reduced compensation it provides to hospitals for the bad debt they incur when their low-income Medicare patients cannot afford their co-pays and deductibles.

These and other by-products of the Affordable Care Act are presented in a new study by the National Association of Urban Hospitals (NAUH), an advocacy group that represents the interests of private, non-profit urban safety-net hospitals. The study, "The Potential Impact of the Affordable Care Act on Urban Safety-Net Hospitals," describes and quantifies how Medicare payment changes mandated by the 2010 health care reform law could affect urban safety-net hospitals.

The study can be found on the association's web site at www.nauh.org.

"The Affordable Care Act has a great deal to offer urban safety-net hospitals and we certainly support the reforms it will bring," explained NAUH executive director Ellen Kugler. "But some of the specific changes in Medicare reimbursement reflect a lack of recognition of both some of the special challenges that private urban safety-net hospitals face and the especially harmful effects those changes could have on these hospitals.

"The purpose of our study is to bring these challenges to the attention of policy-makers before the most damaging of the Medicare payment changes go into effect so they can act to prevent those changes from causing significant financial damage to many of the most important parts of the health care safety net in urban communities across the country."

The National Association of Urban Hospitals advocates for adequate recognition and financing of private, non-profit, urban safety-net hospitals that serve America's needy urban communities. These





urban safety-net hospitals differ from other hospitals in a number of key ways: they serve communities whose residents are much older and poorer; they are far more reliant on Medicare and Medicaid for revenue; they provide far more uncompensated care; and unlike public safety-net hospitals, they have no statutory entitlement to local or state funds to underwrite their costs. NAUH's role is to ensure that when federal officials make policy decisions, they understand the implications of those decisions for these distinctive urban safety-net hospitals. NAUH pursues its mission through a combination of vigorous, informed advocacy, data-driven positions, and an energetic membership with a clear stake in the outcome of public policy debates.

#

