NATIONAL ASSOCIATION OF URBAN HOSPITALS

Private Safety-Net Hospitals Caring for Needy Communities

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Health Reform-Mandated Medicare Cuts Would Prove Devastating to Private Urban Safety-Net Hospitals, Study Concludes

(Washington, D.C.) Cuts in Medicare payments to selected hospitals could have a devastating impact on urban safety-net hospitals and the American health care safety net, according to a new study.

Under the Affordable Care Act, Medicare will cut supplemental payments to hospitals that care for especially large numbers of uninsured patients by as much as 75 percent, or $8 billion, beginning in 2014.

The nation's 448 private, non-profit urban safety-net hospitals, just 7.5 percent of approximately 6000 hospitals across the U.S., would absorb 45 percent of this cut, or $3.6 billion.

The special payments are known as Medicare disproportionate share hospital payments, or "Medicare DSH." Hospitals that care for especially large numbers of low-income patients receive these supplemental payments to help subsidize the uncompensated care they provide to these patients.

Overall, the typical urban safety-net hospital would lose $8.5 million in Medicare DSH revenue in 2014 alone and $53.1 million from 2014 through 2019.

Such cuts would leave nearly two-thirds of all urban safety-net hospitals awash in red ink.

These are among the conclusions reached in a study released today by the National Association of Urban Hospitals (NAUH) entitled "The Potential Impact of Affordable Care Act-Mandated Medicare DSH Cuts on Urban Safety-Net Hospitals."

"Cuts on this scale could be catastrophic," suggests Ellen Kugler, NAUH's executive director. "Medicare DSH has truly been the lifeblood of urban safety-net hospitals. Take any large enterprise like an urban hospital, subtract $8.5 million from its revenue in one year, and it's hard to imagine it resulting in anything short of financial disaster. That's the scenario these hospitals face in three years."

Urban safety-net hospitals are already struggling financially, Kugler notes.

"Today, more than half of all urban safety-net hospitals are losing money and the demand for care from uninsured people is still rising, not falling. These hospitals are already losing money, but we're going to be expecting them to do more with less. Some of them are likely to do more with less until the day they close their doors because they just can't do any more."

The Affordable Care Act's rationale for reducing Medicare DSH payments is that under reform, more people will have health insurance and hospitals will have fewer low-income patients to treat without adequate payment. Several factors potentially undermine this theory, according to Kugler.

"First, you have the very real possibility that reform won't result in as many more people having insurance as officials are estimating. Faced with the choice of paying thousands for insurance or a fine of

a few hundred dollars for not buying insurance, we think a lot of low-income people are going to choose the fine and save a lot of money.

"Second, reform isn't going to reach the 12 million undocumented residents who live mostly in communities served by urban safety-net hospitals. Our hospitals will continue to care for them, not just because the law says we have to but because that's what mission-driven urban safety-net hospitals do, but they won't be paid for this care at all.

"Third, urban safety-net hospitals' low-income elderly patients have never been able to pay their co-pays and deductibles because they just don't have the money. Reform won't change that, which means those hospitals will be underpaid in comparison to other hospitals.

"And fourth, reform is expected to move somewhere between 15 million and 20 million uninsured people into Medicaid, which in most states pays hospitals less than the cost of the services they provide. This means hospitals will be losing more money than ever on Medicaid."

NAUH is sharing its study with the administration and Congress and will use it as a basis for asking lawmakers to revisit this aspect of the Affordable Care Act.

"There's so much about the Affordable Care Act that we really like, and we're sure it's going to have a very positive overall impact," NAUH's Kugler observed. "But you have to wonder how great it will be to help millions of urban Americans join the ranks of the insured when they try to take advantage of their new health benefits only to learn that their neighborhood hospital has closed because of this unforeseen and unfortunate aspect of the new law."

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 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 private, 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.

Additional information about NAUH can be found on its web site, www.nauh.org, as can a version of the study suitable for downloading. Copies are also available by calling NAUH's office at 703-444-0989.

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