NATIONAL ASSOCIATION OF URBAN HOSPITALS

Private Safety-Net Hospitals Caring for Needy Communities

For Immediate Release
June 16, 2009

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

Administration's Latest Health Reform Financing Proposal Would Hurt Private Urban Safety-Net Hospitals

(Washington, D.C.) A key part of the Obama administration's latest proposal for financing health care reform would deal a devastating financial blow to the nation's private urban safety-net hospitals, according to the National Association of Urban Hospitals (NAUH).

The proposal in question would reduce subsidies to hospitals for the care they provide to uninsured and under-insured patients by 75 percent over the next ten years. Those subsidy payments are known as Medicare disproportionate share hospital payments and Medicaid disproportionate share hospital payments, or Medicare DSH and Medicaid DSH.

"This is the absolute wrong way to go about paying for health care reform," said Ellen Kugler, NAUH's executive director. "For years these hospitals have been on the front lines, caring for uninsured and low-income people when no one else wanted to care for them, and they've done so at enormous financial peril. Thanks to low government payments, especially by state Medicaid programs but increasingly by Medicare as well, they've been starved for resources.

"This proposal would starve them a little more. Medicare and Medicaid DSH payments have been the life-blood of these hospitals for decades, and now, people are talking about taking it away from them. It's just not right and it's just not fair."

At the heart of this proposal is the assumption that if health care reform passes and all Americans are insured, hospitals that today care for many uninsured patients would have few, if any, such patients in the future and therefore would not need such subsidies.

But NAUH's Kugler points out that DSH payments do more than subsidize care for the uninsured.

"Historically, Medicare and Medicaid pay hospitals less than what it costs them to deliver care," Kugler said. "This is especially true of Medicaid, which in many states severely underpays hospitals and comes nowhere near actual hospital costs. Medicare and Medicaid intentionally set their payments well below cost, knowing that for hospitals that serve large numbers of low-income patients, their DSH payments will help close the gap between payments and costs. In addition, many low-income Medicare and Medicaid patients cannot afford their co-pays and deductibles, so DSH payments help compensate hospitals for those losses, too. Until Medicare and Medicaid pay hospitals adequately, safety-net hospitals, which care for especially high proportions of Medicare and Medicaid patients, will continue to need their DSH payments."

Kugler notes that even with health care reform, some people are likely to remain uninsured, and Medicare and Medicaid subsidies will still be needed to help pay for their care.

"In Massachusetts," Kugler explained, "they theoretically have universal health insurance, but we've found that despite that assumption, not everyone is actually insured. Many low-income people are still uninsured and do not qualify for Medicaid, and when they need care, they're turning to the same hospitals they've always gone to: America's private, non-profit urban safety-net hospitals. Then there's the matter of undocumented residents, whom reform won't address but who will still be turning to hospitals – especially urban safety-net hospitals – for care. So these hospitals are still caring for plenty of uninsured patients. There's every reason to believe that no matter how effective national health care reform ultimately is, there will still be uninsured people and they'll still be getting most of their care at safety-net hospitals like ours."

Protecting these urban safety-net hospitals is important, Kugler notes, because they care for more than low-income and uninsured patients.

"These same safety-net hospitals also care for many Medicare beneficiaries and some privately insured patients," Kugler concluded. "In addition, these hospitals provide many money-losing services that other, more profit-minded hospitals choose not to offer – services like trauma and burn care, behavioral health and substance abuse services, and OB services. If cutting subsidies to such hospitals harms them financially, we could be eliminating access to certain kinds of specialty services and jeopardizing access to care for entire communities, not just for poor patients."

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 private, 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 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.

###