

NATIONAL ASSOCIATION OF URBAN HOSPITALS

Private Safety-Net Hospitals Caring for Needy Communities

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Study Finds That Urban Safety-Net Hospitals Care for More Low-Income Patients, are at Greater Financial Risk as Result

(Washington, D.C.) Urban hospitals care for more low-income and uninsured patients and are in worse financial condition than other type of private hospitals, according to a new study – “Financial Challenges to Urban Hospitals” – released today by the National Association of Urban Hospitals (NAUH).

The specific hospitals in question, according to NAUH, are *urban safety-net hospitals* – a designation NAUH confers upon hospitals that are private and non-profit, located in urban areas, have more than 200 beds, and have among their patients at least 15 percent who are insured by Medicaid.

Because these hospitals are located in urban areas with large numbers of Medicaid recipients, NAUH maintains, they also serve unusually large numbers of patients who are uninsured and underinsured and large numbers of low-income Medicare patients who cannot afford to pay Medicare’s required co-pays and deductibles.

The combined result of these conditions, according to NAUH executive director Ellen Kugler, is that these hospitals today are in financial jeopardy.

“Urban safety-net hospitals are a major part of the American health care safety net,” Kugler explained. “But according to our study, they are in worse financial condition than any other type of private hospital in the U.S. today.”

Among the chief culprits, according to Kugler, are state Medicaid programs that pay hospitals less than their costs for caring for Medicaid patients.

“All you have to do is look at places like Pennsylvania, where Medicaid pays about 80 percent of costs, and Wisconsin, where Medicaid pays less than 50 percent,” Kugler said. “In places like these, and in many other states around the country, the formula for financial disaster is a simple one for urban safety-net hospitals: the more Medicaid patients you serve, the more money you lose.”

The NAUH study reveals that urban safety-net hospitals serve far more Medicaid patients than rural hospitals, non-safety-net hospitals, and other urban hospitals that are not safety-net hospitals.

While urban safety-net hospitals are non-profit providers that expect to provide significant amounts uncompensated care in exchange for the tax benefits of their non-profit status, Kugler noted, there are limits to those charitable efforts.

“Clearly, these urban safety-net hospitals can only afford to lose so much money before they lose their ability to cover their payrolls, keep their buildings in good condition and up to date, and invest in the new equipment and information technology required to maintain their ability to provide high-level care.

Across the country, recent years have witnessed numerous urban safety-net hospitals closing their doors, and when that happens, entire communities suffer – and not just low-income patients.”

The challenges these hospitals face are growing daily, Kugler notes.

“Unemployment is on the rise and many companies are cutting back on their health insurance benefits or cutting them out entirely. As a result of the current recession, urban safety-net hospitals are finding themselves caring for more uninsured and underinsured patients, more Medicaid patients, and more low-income Medicare beneficiaries who can’t afford their co-pays. This trend is likely to continue, and right now, precious little is being done to ensure that the health care safety net can survive this assault on its financial viability.”

The solution to this problem, Kugler insists, are state and federal health care policies that do a better job of understanding the special role played by urban safety-net hospitals in the health care safety net and that do a better job of paying those hospitals fairly for the work they do.

“We look forward to working with the 111th Congress and the Obama administration to find better ways of ensuring the futures of urban safety-net hospitals at a time when that safety net is needed more than ever,” Kugler concluded.

“Financial Challenges to Urban Hospitals” is the first in a series of reports planned by the National Association of Urban Hospitals to cast light on the special nature of these hospitals, the role they play in the American health care safety net, and the financial challenges they face because of where they are located and whom they serve.

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.

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