

**The Proposed FY 2009-2010 Medical Assistance Budget**

June 9, 2009

**The Administration's Proposed Budget**

The administration's proposed budget calls for cutting approximately \$78 million in Medical Assistance payments. Most of those cuts would be borne by hospitals that care for high proportions of low-income and uninsured patients, including the following cuts:

- \$29.2 million in inpatient DSH, medical education, and Community Access payments;
- \$15.1 million in outpatient DSH payments;
- \$4.4 million in payments to hospitals with OB/NICU units – even though PA continues to lose hospital maternity units; and
- \$12 million in payments to hospital burn units.

**The Senate's Proposed Budget**

The Senate has passed a budget (SB 850) that calls for even greater cuts in payments to hospitals that care for high proportions of low-income and uninsured patients – \$280 million in all. Among those cuts are:

- \$10.2 million in inpatient DSH payments;
- \$84.1 million in medical education payments;
- \$58.4 million in Community Access Fund payments;
- \$65 million in outpatient DSH payments;
- \$12 million in hospital burn unit payments;
- \$15.4 million in OB/NICU unit payments; and
- \$27.3 million in trauma unit payments.

In fact, the Senate's budget proposes eliminating 100% of all medical education, outpatient DSH, Community Access Fund, burn center, OB/NICU, and trauma center payments.

**Cuts Fall Heaviest on Safety-Net Hospitals**

PA's safety-net hospitals – 37 of the state's 168 acute-care hospitals – would bear the financial burden of 86% of these cuts. Many hospitals, on the other hand, would suffer virtually no cuts at all.

**Less Money in Time of Growing Need**

These cuts come at a time when the demands on safety-net hospitals are greater than ever. Two years ago, 767,000 Pennsylvanians were uninsured. Now, more than 1 million are uninsured. In addition, Medical Assistance enrollment is expected to soar above two million by the end of FY 2010. Consequently, these hospitals will be expected to care for more uninsured and under-insured people with less money – a prescription for disaster.

**Where is All That Federal Medicaid Stimulus Money Going?**

Congress anticipated the need to help states with their Medicaid programs in this time of economic crisis.

- The economic stimulus bill states that the purpose of Medicaid stimulus money is "To protect and maintain State Medicaid programs during a period of economic downturn, including by helping to avert cuts to provider payment rates ..."
- That bill includes \$1.9 billion in additional Medicaid money for PA for FY 2010.
- Why can't the state spend some of this \$1.9 billion to eliminate these cuts?

**Protecting Hospitals, Preserving Access**

More PA hospitals than ever are losing money because of the current economy. Proposed cuts will contribute significantly to their struggles, costing jobs and jeopardizing access to care for everyone – not just Medical Assistance patients and the uninsured.

**Our Request**

In this time of economic crisis, PA must fulfill one of government's core functions: ensuring access to health care for its vulnerable citizens. For this reason, the Safety-Net Association of Pennsylvania urges the General Assembly to adopt a budget that does not cut any funding for Medical Assistance payments to safety-net hospitals.

**The Safety-Net Association of Pennsylvania represents the interests of private, acute-care hospitals that play the leading role in caring for the poor, the disadvantaged, and the uninsured residents of the commonwealth. Safety-net hospitals are the 25 percent of hospitals in Pennsylvania that care for the highest combined proportion of uninsured patients, Medical Assistance recipients, and Medicare SSI recipients and that therefore constitute the state's health care safety net. These 37 hospitals are located in eastern, central, and western Pennsylvania, in urban, suburban, and rural areas, and in 19 of the state's 67 counties. As a result of the patients they serve, safety-net hospitals face a significant, continuing, disproportionate challenge to their financial health.**