Safety-Net Association of Pennsylvania

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The Financial Implications of the Proposed Medical Assistance Cuts

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Governor Rendell has proposed cutting supplemental Medical Assistance payments to hospitals by $78 million and the Senate has passed a bill that would cut those payments by $280 million. Of these cuts, 86 percent would be borne by the state's private safety-net hospitals – the 25 percent of acute-care hospitals in the state that care for the highest proportion of low-income and uninsured Pennsylvanians. Such massive, unprecedented cuts would have a devastating impact on these hospitals and jeopardize access to care for all Pennsylvanians, not just Medical Assistance recipients.

What Would *Really* Happen?

With the number of Medical Assistance recipients and uninsured Pennsylvanians on the rise, safety-net hospitals would have no choice but to cut their expenses. For years these hospitals have been egregiously underpaid by Medical Assistance, and as a result, they cut all the fat in their spending long ago. Massive reductions in Medical Assistance payments would force them to cut into muscle and bone, such as by:

- laying off employees;
- cutting programs and reducing services;
- delaying renovations and improvements; and
- deferring the replacement of worn and outdated equipment and the purchase of new, more modern equipment and technology.

Where are the Specifics?

Stories about hospital closings, lay-offs, and major program cuts will occasionally be told in newspaper headlines, but more often, the cutbacks hospitals make to adjust to diminished resources are made quietly, without fanfare. Hospital officials will not speak publicly about specific potential cuts because:

- they do not want to frighten their employees and their families or alarm their communities;
- they do not want valued employees to act preemptively and seek employment elsewhere;
- they do not want to scare away patients;
- they do not want to risk having physicians direct patients elsewhere; and
- they do not want warnings of financial problems to jeopardize their credit rating and their ability to borrow the money they need to pay their bills and maintain their facilities.

The Planning is Already Under Way

Today, safety-net hospitals across Pennsylvania face the prospect of significant cuts in their Medical Assistance payments. By definition, safety-net hospitals are far more dependent on Medical Assistance payments than other hospitals. As a matter of self-preservation, these hospitals are already running the numbers, determining how much they would lose if the different budget proposals are passed, and deciding what they need to do to keep their doors open in the face of such major losses. They are planning lay-offs, service cuts, and program cuts that they are not discussing publicly today and that may not appear in newspaper headlines tomorrow, but those cuts are without question coming unless Governor Rendell and the General Assembly restore all of the proposed Medical Assistance payment cuts.