

# Safety-Net Association of Pennsylvania

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## SNAP Update

### Perzel Applauds Safety-Net Hospitals for Taking the First Step by Forming a Group



John Perzel, House Majority Leader; Charles DeBrunner, SNAP's President and CEO; and Sam Smith, the House Majority Whip at the meeting on June 10<sup>th</sup>.

John Perzel, the Majority Leader of the Pennsylvania House of Representatives, praised the Safety-Net Association of Pennsylvania for coming together and speaking with one voice. "It's an important first step," he said to hospital officials who gathered on June 10<sup>th</sup> from all parts of Pennsylvania, "and I urge you to work together bringing your consensus recommendations to us so we can help you to continue doing the good work you do for our Commonwealth."

At the meeting, hospital executives from safety-net hospitals gathered to hear from other leaders in the Pennsylvania House of Representatives. Sam Smith, the Majority Whip

was there, as was David Argall, the Appropriations Chairman of the House. All three legislators spoke about the need to develop consensus, the need to work with other similar institutions, and the need to bring forth recommendations to the legislature that benefit the whole state, not just parts of the state.

Staff from SNAP also presented background information on current federal and state developments that will likely affect safety-net hospitals in Pennsylvania. In part, some of those discussions focused on Pennsylvania's looming budget deficit that could have spillover effects on the state's expenditures for programs supporting low-income patients. "If these programs are cut, it will disproportionately affect safety-net hospitals," said Charles DeBrunner, SNAP's President and CEO. "We need to educate state policy-makers that SNAP hospitals are their partners, and they need to treat us differently than the way they treat other hospitals



John Perzel, speaking to SNAP hospitals. Sitting are SNAP staff Stan Rapp and Charles DeBrunner. Also sitting in background are David Argall, the House Appropriations Chairman and Sam Smith, the House Majority Whip.

in the Commonwealth.” Mr. DeBrunner stated that Pennsylvania is the largest industrial state without public hospitals, and the responsibility of treating the poor falls upon private sector hospitals. SNAP hospitals share the largest burden of treating the poor.

Attendees were also presented with SNAP’s research showing just how poorly safety-net hospitals are faring in Pennsylvania. Safety-net hospitals see three times more Medicaid patients and provide 50% more uncompensated care than other hospitals do. Safety-net hospitals also have significantly fewer assets to cover their liabilities than other hospitals; they only have \$1.30 in assets for every dollar of liability, while other hospitals have \$2.16 in assets for every dollar of liability.

Safety-net hospitals also are significantly underpaid for their services. They only receive 92¢ in revenues for every dollar of cost while other hospitals get paid 97¢ to the dollar. To bring safety-net hospitals in par with other hospitals, they would need about \$340 million in additional revenues. And for their revenues to cover their full costs, they would need more than half a billion dollars in additional revenues.

This revenue shortfall is not a result of lack of efficiency. The Lewin Group, in their report to the Legislative Budget and Finance Committee, concluded that Pennsylvania hospitals are the second most efficient in the country and that hospital costs in Pennsylvania are about seven percent below what they expect them to be based on national norms.

SNAP staff concluded that mission-oriented institutions are not exempt from basic business principals. And that no business, regardless of its type, can survive when revenues do not cover expenses year after year. They concluded that the safety-net in Pennsylvania could collapse if it continues to receive insufficient revenues. For this to change, safety-net hospitals need to work together to bring forward recommendations to the legislature. “Working together,” said Mr. DeBrunner, “I have no doubt that we will develop consensus recommendations than can be implemented to save the safety-net in our state.”

## **SNAP Staff will be Presenting Its Findings on the Financial Condition of Safety-Net Hospitals to House Committees On June 24<sup>th</sup>**

SNAP staff has been invited to present their findings to the House Majority Policy Committee on June 24<sup>th</sup>. The committee, which develops the legislative agenda for the Republican Caucus in the House of Representatives, has also invited the full House Health and Human Services Committee to attend the informational meeting. The meeting is a unique opportunity because it is rare for a caucus committee and a bipartisan committee to meet jointly. SNAP takes pride in the legislative leadership’s decision to

have both committees meet together to hear SNAP's report on the safety-net in Pennsylvania.

This is a great opportunity for SNAP to begin the educational component of its advocacy campaign. SNAP wants to begin to work with both policy-makers and its own members to begin changing the nature of safety-net hospitals' relationship with government. SNAP is confident that its new approach will lead to a partnership between SNAP hospitals and government – a partnership that recognizes that both parties need each other to succeed.

Please note: In the event that the legislature recesses before this date, the hearing will be rescheduled for the fall.