SNAPSHOTS

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News and Views from the Safety-Net Association of Pennsylvania

November 2002

SNAP Questions 2002-2003 Medicaid DSH Allocations

SNAP has voiced concerns about the Commonwealth of Pennsylvania's planned 2002-2003 Medicaid disproportionate share payments (DSH).

In an October 11 letter to Department of Public Welfare (DPW) Secretary Feather Houstoun, SNAP president Charles DeBrunner wrote that "Although DPW's calculations are done correctly, we believe that the data used for this calculation is flawed and produces an illogical result that cannot be reconciled with significant changes in the Medical Assistance (MA) service delivery system over the past six years."

A key component of DPW's DSH methodology is dividing hospitals' MA days into two categories: Title XIX days and General Assistance days; this is the basis for calculating each hospital's Title XIX percentage, which is then used to rank hospitals for DSH payments. The problem, according to SNAP, is that DPW does not have complete data on Title XIX days and instead estimated those days based solely on its MA fee-for-service program.

This approach ignores the rapid growth of managed care in Pennsylvania's MA service delivery system. DPW used 2000 fee-for-service data to calculate this year's DSH eligibility and payments; in 2000, however, fee-for-service data represented only 40 percent of the state's MA population (and it represents even less today). In parts of the state where enrollment in the HealthChoices managed care program is mandatory, moreover, only about 10-20 percent of MA recipients received their benefits through fee-for-service. This means that at best, the data fails to reflect 60 percent of the MA population; at worst, in some parts of the state, it fails to reflect as much as 90 percent of that population.

"Drawing conclusions based on such incomplete data is a problem, as this year's DSH decisions demonstrate," DeBrunner explained. "At a time when the General Assistance population has shrunk by more than 50 percent, the data shows

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SNAP to Hold First Membership Meeting

SNAP will hold its first membership meeting on Friday, November 22 in Harrisburg. Members are urged to attend. Other safety-net hospital executives interested in participating should contact Michael Zeik at 717-234-6970.

SNAP Looks to Change PA's Medicaid DSH Formula

With the expiration of the current Medicaid rate agreement between the state and the hospital industry next spring, SNAP has set its sights on working to change Pennsylvania's Medicaid DSH formula and intends to be an active, aggressive participant in rate negotiations that should begin this winter.

At the heart of SNAP's concern about the formula are the 12 safety-net hospitals that were dropped from the list of DSH recipients this year.

"But this is a much bigger issue than just this year's Medicaid DSH payments," according to Charles DeBrunner, SNAP's president. "We're concerned that the current approach to determining DSH eligibility and payments no longer fulfills the public policy objective of identifying hospitals that

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Good Data Makes for Good Public Policy, SNAP Says

At the heart of SNAP's advocacy for Pennsylvania's safety-net hospitals will be solid health care data and incisive, experience-driven analysis and policy development.

"Good data is the foundation of good public policy," according to Gloria Klugh, SNAP's vice president.

Klugh oversees the development and analysis of SNAP's own data – an extensive and constantly growing repository that documents the financial performance of all Pennsylvania hospitals.

With years of experience in and around the public sector and in health care policy development, SNAP staff analyzes data, identifies and confirms trends, develops computer models, and crafts proposals that address both the policy goals of public officials and the policy needs of safety-net hospitals.

"You start with an idea about a problem and then you look for data that proves it. If you find it, you figure out why it's happening and develop a policy proposal to address it. Working with safety-net hospitals is very amenable to a data-driven approach because they have such a strong case for

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DSH Allocations continued,

that this significantly smaller population is responsible for an even greater proportion of Medicaid days than it was four years ago – an unreasonable conclusion. “It’s totally counter-intuitive to suggest that the proportion of Title XIX days could be lower now than it was four years ago, when the General Assistance population was twice as large as it is today,” DeBrunner said.

The problem, he continues, is with the unavailability of critical data.

“When the current rate agreement was negotiated, we had no way of knowing that the DSH methodology would produce such suspect data. The result, unfortunately, is that some of the hospitals with the greatest need won’t be getting their fair share of Medicaid DSH money this year even though SNAP believes they deserve it.

“We’ve spoken to DPW officials, who’ve acknowledged that the data does appear problematic and have expressed interest in working with SNAP to address this problem in the future. Unfortunately, that doesn’t help the hospitals that are being disadvantaged now.”

DPW is in the process of making DSH payments for the first quarter of FY 2003 based on the questionable data. SNAP is currently meeting with legislative leaders and officials from the governor’s office to explore ways to correct the Title XIX estimating methodology for affected safety-net hospitals. ■

DSH Formula continued,

deserve the supplemental assistance for which DSH is intended. Safety-net hospitals are, by definition, the hospitals that provide the largest proportion of care to low-income Pennsylvanians, so any formula that excludes some of these hospitals from receiving Medicaid DSH payments is, in our view, inherently flawed.”

Historically, Medicaid DSH payments are made for two reasons: to help compensate hospitals for Medicaid’s historically poor reimbursement – in Pennsylvania, it reimburses hospitals for only about 80 percent of actual costs – and in recognition that hospitals that serve large proportions of Medicaid recipients also are likely to serve large proportions of uninsured people.

In anticipation of rate negotiations, SNAP is developing computer models of new potential methodologies for calculating Medicaid DSH eligibility and payments. These models have as their objective to ensure that scarce public resources – in this case, Medicaid DSH payments – are directed to where the need is greatest: to the safety-net hospitals that serve the highest proportions of low-income Pennsylvanians. ■

Good Data continued,

greater public support and there are numerous avenues for directing that support to them. But to do that, you need to be able to prove that the need is real and that your proposal will work, and for that, you need great data.”

“It’s a question of how you want to make public policy,” explains SNAP president Charles DeBrunner. “Do you think public policy should be based on policy needs or politics? We think good policy and good politics go hand in hand, and data plays a major role in that process. Good policy addresses need and good data identifies need, which is good for safety-net hospitals.”

“Public officials are moving away from making decisions based on anecdotal evidence,” Klugh adds. “It’s not enough to say that safety-net hospitals need more money; we have to prove it, and you do that with data. SNAP’s use of data will be one of many things that distinguish us from other hospital advocates.”

In the long run, better data should lead to better outcomes for safety-net hospitals, Klugh maintains.

“Every single safety-net hospital may not benefit every time we develop proposals using good data, but over time, true safety-net hospitals will always benefit from the use of better data that better describes the challenges they face.”

SNAP’s DeBrunner agrees.

“The basis for SNAP is a set of clearly defined criteria for what constitutes a safety-net hospital,” DeBrunner explains. “As long as individual hospitals remain safety-net hospitals, the data is always going to show those hospitals as having the greatest need – and it should lead to the development of public policies that better address those needs. ■

What is SNAP?

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 twenty-five 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. As a result of the patients they serve, safety-net hospitals face a significant, continuing, disproportionate challenge to their financial health. Today, there are forty-eight safety-net hospitals in Pennsylvania out of 192 acute-care hospitals in the state overall.

For further information about the Safety-Net Association of Pennsylvania or any of the information or views offered in SNAPshot, please contact Charles DeBrunner, president, at 717-234-6970.