

News and Views from the Safety-Net Association of Pennsylvania

March 2003

New State Budget: All Pain, No Gain For Safety-Net Hospitals

Governor Rendell's 2003-2004 budget, as signed into law on March 20, includes at least a little pain for almost everyone – but more for hospitals in general and for Pennsylvania's 48 safety-net hospitals in particular. The new budget calls for slashing \$90.8 million in state funds used to make Medical Assistance payments to hospitals – a loss of \$168 million in Medical Assistance revenue for hospitals after federal Medicaid matching fund losses are added to the reduction.

Overall, the budget targets the hospital industry for nine percent of the \$1.6 billion in state spending cuts, including the total elimination of the Medical Assistance outpatient disproportionate share, Medical Assistance medical education, and Community Access Fund programs.

Safety-Net Hospitals Hit Hardest

But the worst news is reserved for safety-net hospitals: the 25 percent of acute-care hospitals in the state that provide 55 percent of all services to Medical Assistance recipients are being asked to absorb 82 percent of all proposed Medical Assistance hospital spending cuts.

This also means that just 48 Pennsylvania hospitals – the state's safety-net hospitals – are being forced to absorb seven percent of all of the state's spending cuts.

And safety-net hospitals will suffer these cuts the hard way, according to Charlie DeBrunner, president of the Safety-Net Association of Pennsylvania (SNAP).

"Many of the budget cuts called for in the governor's budget reflect cost avoidance, accounting gimmicks, or the elimination of services," DeBrunner explained. "But that's not the case with the proposed Medical Assistance cuts. There's no cost avoidance, no gimmicks, no elimination of services – just a decision to pay hospitals significantly less money to provide the same level of services without any real consideration of whether that's possible – or what the implications will be for low-income Pennsylvanians when they realize that's not possible."

SNAP is pleased to welcome the following new members:

- Graduate Hospital
- Hahnemann University Hospital
- Meadville Medical Center
- Medical College of Pennsylvania Hospital
- Parkview Hospital
- Punxsutawney Area Hospital
- St. Christopher's Hospital for Children
- Warminster Hospital

Implications for Safety-Net Hospitals

Amid rising unemployment and growing demand for Medical Assistance services, this budget anticipates that safety-net hospitals will provide the same level of services to the same number of people (or more) for much less money – and that is just not reasonable, according to DeBrunner.

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"Years of serving three times as many Medical Assistance recipients and two-thirds as many uninsured patients as other hospitals have taken their toll on safety-net hospitals," DeBrunner said. "So have years of providing care for 80 cents on the dollar. Our margins are down, our reimbursement as a percentage of costs is down, and our spending per patient day is down.

"Some safety-net hospitals are right out of bankruptcy protection, some are there now, and some are contemplating going into it," DeBrunner continued. "This budget will help push safety-net hospitals toward bankruptcy and possible closure. I know that's not what the governor had in mind when he proposed it or what the House and Senate had in mind when they voted for it, but that's the effect it's going to have. We may very well lose some safety-net hospitals because of this budget, and many of the hospitals that remain open may have to reduce staff or curtail services. It's not going to be pretty in some parts of Pennsylvania."

SNAP Responds

SNAP has written to the governor and leaders of both parties and key budget committees in the House and Senate to describe the implications of the proposed budget. A press release shared that correspondence with the rest of the state, and in the days that followed, a number of newspapers reported on the potential impact of the budget on their community and its hospitals.

SNAP will continue to work with the governor's office and the General Assembly to seek restoration of funds for these vital programs. ■

SNAP Members Visit Harrisburg, Lobby Legislators on Budget

Representatives of 14 safety-net hospitals traveled to Harrisburg on Tuesday, March 11 to meet with elected officials and legislative leaders to discuss the implications of Governor Rendell's budget, which has been approved by the House and Senate, and to urge those officials to restore the \$90.8 million in Medical Assistance funds that were eliminated in that budget.

"Members of the General Assembly were very interested in our message," according to SNAP president Charlie DeBrunner. "In particular, they were interested in three things: would the safety-net hospital in their community survive, would it be forced to lay off staff, and would it have to reduce or eliminate some medical services. Legislators didn't like some of our answers, but at least now they have a better sense of what's at stake."

At every meeting, according to DeBrunner, SNAP's message was the same.

"We told everyone to whom we spoke that they can't expect safety-net hospitals to be able to absorb these cuts yet continue to serve their constituents in the same manner that we always have. Unless these budget cuts are restored, it's not going to be business as usual for these hospitals." ■

Despite Budget Challenge, SNAP to Focus on Medical Assistance Reform

The current state budget crisis will not distract SNAP from its intention to pursue comprehensive Medical Assistance reform in Pennsylvania in 2003.

That's the message that SNAP president Charlie DeBrunner conveyed to hospital executives who attended the organization's membership meeting in Harrisburg on Tuesday, March 11.

"The budget is just one aspect of our broader interest in Medical Assistance in Pennsylvania. While the budget is unquestionably important, we need to keep our eye on the big picture, and that's comprehensive, state-wide Medical Assistance reform."

DeBrunner said that settling for the restoration of the \$90.8 million in Medical Assistance funds was a starting point for SNAP, not a goal in itself.

"We came into this budget year looking for more Medical Assistance money, not less, and while we want the eliminated funds restored, we're still looking for that increase. Safety-net hospitals need an increase if access to care and the quality of care are not to be compromised in communities throughout Pennsylvania."

Later in the year, DeBrunner said, SNAP intends to focus on the nuts and bolts of the Medical Assistance program and develop a reform proposal that addresses fee-for-service, supplemental payment, outpatient, and managed care issues.

"It's been more than a decade since the Department of Public Welfare has developed any real Medical Assistance policy, and much of what has happened since then has hurt safety-net hospitals," DeBrunner said. "The time has come to reform the state's Medical Assistance program in a systematic, policy-driven context outside the parameters of budget processes and rate negotiations. It's time to make good public policy, and we're confident that safety-net hospitals will always benefit from good public policy." ■

SNAP Staff Meets New DPW Chief

On Monday, March 17, SNAP staff members Charlie DeBrunner, Gloria Klugh, and Mike Chirieleison met with newly appointed Department of Public Welfare Secretary Estelle Richman.

During this meeting, Richman indicated that she had read the SNAP paper *The Challenges Facing Safety-Net Hospitals in Pennsylvania* and was familiar with many of SNAP's issues. She indicated that she recognized the magnitude of the role that safety-net hospitals play in caring for Medical Assistance recipients and the uninsured and expressed a desire to work in partnership with those hospitals.

Richman, who previously worked in Philadelphia's city government, also expressed surprise at the extent of the role that rural hospitals play in the health care safety net in Pennsylvania.

The discussion turned to SNAP's desire to pursue broad Medical Assistance reform later this year. Richman expressed great interest in such an undertaking and in reviewing SNAP's reform agenda document after the state's budget has been adopted. ■

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 SNAPshots, please contact Charles DeBrunner, president, at 717-234-6970.