



# SNAPSHOTS

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## News and Views from the Safety-Net Association of Pennsylvania

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### SNAP Focusing on Preserving DSH, Med Ed Payments

As Pennsylvania enters its third month without a real state budget and with Medical Assistance cuts appearing all but inevitable, SNAP is working to ensure that such cuts spare hospitals' inpatient disproportionate share (DSH) payments, outpatient DSH payments, and medical education payments. This effort is critical: all of the budget bills currently under consideration call for large cuts in these payments; in some cases, the cuts would be enormous.

#### MA Payments: A Raw Deal for PA Hospitals

State-wide, PA reimburses acute-care hospitals for only about 78 percent of the costs they incur providing inpatient care to their Medical Assistance patients. Payments for outpatient care are even worse: they cover only about 50 percent the cost of such services.

Such payment shortfalls are especially hard on the state's safety-net hospitals. While only 25 percent of PA's acute-care hospitals, safety-net hospitals provide more than 50 percent of all Medical Assistance services.

Because so many of their patients are publicly insured (Medicare and Medical Assistance) or uninsured, safety-net hospitals have far fewer opportunities than other hospitals to absorb these losses through cross-subsidization: using more adequate payments from private insurers to offset their massive Medical Assistance losses. For example, 28 percent of all inpatient days in safety-net hospitals are covered by Medical Assistance, compared to just 13 percent at non-safety-net hospitals.

#### Supplemental Payments

Over the years, PA policy-makers have recognized the considerable financial disadvantage at which they placed safety-net hospitals and introduced several supplemental payments to help those hospitals cope with this disadvantage. These supplemental payments constitute the financial foundation underlying the ability of safety-net hospitals to continue serving their low-income patients.

#### 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.*

While a number of such supplemental payments have been introduced over the years, three stand out as the most important for safety-net hospitals: inpatient DSH, outpatient DSH, and medical education payments. Together, these three supplemental payments raise the Medical Assistance reimbursement level for inpatient care for safety-net hospitals to 92 percent – still far below costs, but a considerable improvement over the 78 percent level that hospitals state-wide receive on average from Medical Assistance.

#### The Implicit Compact

Over the years, PA policy-makers have implicitly told safety-net hospitals that the purpose of inpatient DSH and outpatient DSH payments is to help bridge the gap between direct Medical Assistance payments and the cost of Medical Assistance services; medical education payments, too, are absolutely essential for safety-net hospitals that care for large numbers of low-income patients while also investing heavily in physician training. Taking these officials at their word, safety-net hospitals have come to depend on these supplemental payments, which help make their losses more manageable.

In SNAP's view, reducing inpatient DSH, outpatient DSH, and medical education payments would threaten the financial viability of some safety-net hospitals – and in the process, jeopardize access to care for everyone, not just Medical Assistance patients, in the communities those hospitals serve. It also would represent policy-makers renegeing on their commitment to safety-net hospitals – a failure that could be fatal to some of those hospitals and the low-income patients they serve.

#### SNAP Fighting for Supplementals

Ensuring access to health care for low-income residents is one of the core functions of state government, and in SNAP's view, preserving inpatient DSH, outpatient DSH, and medical education payments is the key to the state's ability to fulfill this core function during these troubling economic times. For this reason, SNAP is now focusing its budget advocacy on the preservation of these vital payments. The stakes are enormous: all of the budget bills currently under consideration call for cuts in these payments, and in some cases, those cuts would be enormous.

SNAP invites all safety-net hospitals to join us in reaching out to their elected officials in Harrisburg to convey the importance of preserving inpatient DSH, outpatient DSH, and medical education payments for safety-net hospitals. ■