

Safety-Net Association of Pennsylvania

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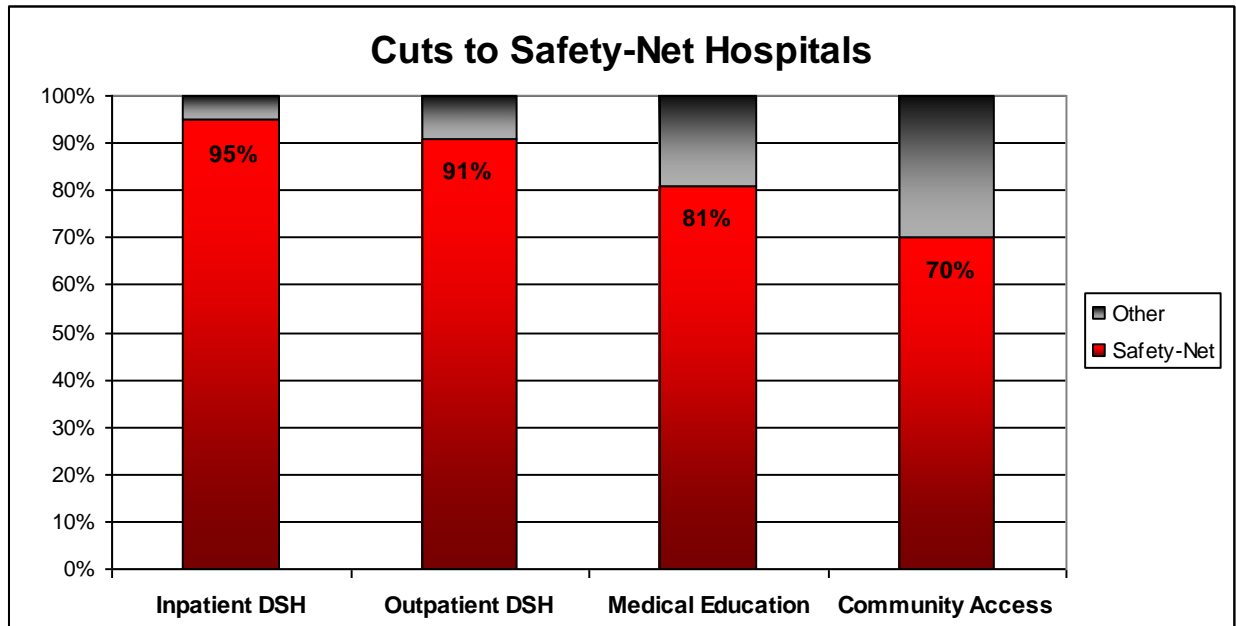
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Proposed Medical Assistance Budget Shortchanges Safety-Net Hospitals, Hospital Group Maintains

(Harrisburg) The Medical Assistance spending cuts targeted in the Rendell administration's proposed FY 2010 budget would fall most heavily and disproportionately on hospitals that care for especially high numbers of low-income patients, according to the Safety-Net Association of Pennsylvania (SNAP).

Those hospitals would absorb 86 percent of \$20 million in state spending reductions in selected payments to acute-care hospitals, including inpatient disproportionate share hospital (DSH) payments, outpatient DSH payments, medical education payments, and community access payments.

The following table illustrates the disproportionate impact of these cuts.



In addition to these cuts, the budget calls for reducing nearly \$2 million in state spending on supplemental payments to hospitals with maternity and neonatal intensive care units that care for especially high proportions of Medical Assistance patients. It also eliminates all funding - \$5.5 million - for the state's designated burn centers, two-thirds of which are safety-net hospitals.

In all, the administration proposes cutting \$27.5 million in state spending on these critical payments - a cut that will translate into a \$61 million reduction in payments (including state and federal funds) to the very hospitals that Pennsylvania depends on most to care for its most vulnerable residents.

Safety-net hospitals are the 25 percent of hospitals in the state that serve the highest proportion of low-income patients, including Medical Assistance recipients and the uninsured.

The proposed cuts defy the underlying rationale for these supplemental payments, according to SNAP president Michael Chirieleison.

“Ironically, these supplemental payments were originally developed to compensate for shortcomings in the Medical Assistance payment system,” Chirieleison explained. “Inpatient and outpatient DSH payments, in particular, are intended to help hospitals that care for especially high proportions of uninsured patients and also reflect a basic recognition that because of where they are located, hospitals that serve especially high proportions of Medical Assistance patients also serve especially high proportions of uninsured patients.”

DSH payments also seek to compensate providers of such large volumes of Medical Assistance services for the gross underpayments that have characterized Pennsylvania’s program for decades. Currently, Medical Assistance payments cover only about 80 percent of the actual cost of hospital inpatient services, and about 50 percent of the cost of services provided on an outpatient basis.

As a result, Chirieleison noted, “The more Medical Assistance patients a hospital serves, the more money it loses.”

These cuts come at the wrong time, according to Chirieleison, because the state is projecting a 3.2 increase in Medical Assistance enrollment in FY 2010. In addition, the weak national economy is expected to increase the number of uninsured Pennsylvanians – a number that already exceeds one million people.

“In effect,” Chirieleison said, “the administration is telling safety-net hospitals to care for more people with less money in FY 2010. That doesn’t make sense, it won’t work, and trying to make it work will potentially be very harmful to the state’s safety-net hospitals.”

Chirieleison added that, “The governor is demanding that the very hospitals most involved in caring for Medical Assistance recipients and the uninsured absorb millions of dollars in cuts while serving on the front line in caring for low-income Pennsylvanians. These hospitals are bearing the brunt of the state’s proposed health care spending reductions. We think that’s just not right and just not fair.”

While lawmakers consider the governor’s budget proposal and explore alternatives, the Safety-Net Association of Pennsylvania will spend the coming months informing policy-makers about the unfair impact of the administration’s proposed cuts and urging them to find an alternative approach that directs more state resources to where they are needed most in this time of economic crisis.

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