

## **News Release From the Safety-Net Association of Pennsylvania**

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### **Hospitals Serving Low-Income Pennsylvania Communities in Financial Jeopardy, New Study Says**

(Harrisburg, PA) Hospitals in Pennsylvania that serve low-income communities are in financial jeopardy because of how they are paid – and, in many cases, underpaid or not paid – for the services they provide to the poor and disadvantaged, according to a new report issued by the Safety-Net Association of Pennsylvania (SNAP).

These hospitals face challenges to their financial viability, to their existence, and to their ability to continue fulfilling their missions of caring for the poor and the disadvantaged as well as other members of their communities, the report maintains.

According to the study, entitled *The Challenges Facing Safety-Net Hospitals in Pennsylvania*, the twenty-five percent of hospitals in the state – so-called safety-net hospitals – that care for the highest proportion of Medicaid and uninsured patients see only ninety-two percent of their patient care costs covered by patient revenue. Pennsylvania's other hospitals are reimbursed for ninety-seven percent of their patient costs, leaving safety-net hospitals scrambling to cover a combined revenue shortfall that amounted to \$345 million in 2000 alone, according to the study.

“Safety-net hospitals unquestionably pose a special challenge for the commonwealth,” according to Charles DeBrunner, SNAP president. “Proportionally, we treat three times as many Medicaid recipients and two-thirds more uninsured patients than other hospitals. With Medicaid in Pennsylvania covering only about eighty percent of costs today, however, the more poor patients we care for, the further behind we fall.”

According to DeBrunner, improving the finances of safety-net hospitals is not a matter of better hospital management.

“This is a revenue problem, not a management problem,” DeBrunner explained. “In 2001, the state hired a consultant who concluded that Pennsylvania's hospitals are among the best managed in the entire country. But when an average of seventeen percent of safety-net hospitals' patients are on Medicaid and you lose twenty cents for every dollar you spend treating them, and another seven percent of your patients have no health insurance at all, there's no way you can cover your costs.”

These safety-net hospitals also serve more than the poor, DeBrunner added.

“Safety-net hospitals also have many insured patients and many Medicare patients. If they close, they can leave entire communities without a hospital or with fewer health care options. They also are

traditionally among the biggest employers in their communities. For these reasons, helping safety-net hospitals benefits everyone in the communities that those hospitals serve.”

A key part of the solution, DeBrunner said, is action by the state.

“Pennsylvania is the largest state that doesn’t have any public hospitals,” DeBrunner explained, “so safety-net hospitals serve as providers of last resort. Elsewhere, public hospitals that care for these patients receive special, supplemental funding from their states, but Pennsylvania doesn’t provide any local or state subsidies for these hospitals – funds over and above the Medicaid, Medicare, tobacco, and other supplemental funds for which any private hospital can potentially qualify. We think that because of the special role we play, we need special protection to ensure our ability to continue serving these communities.”

SNAP launched this study in the fall of 2001, DeBrunner said, because it was concerned that many state officials did not always fully appreciate the special role that these hospitals play – and the financial challenges they face as a result.

“For years, hospitals have been telling public officials that we’re underpaid and hurting. For too long, those complaints were anecdotal and there was no hard evidence to support them. Now, we’re starting to see hospitals in low-income communities go under, and many others are really struggling financially, so we decided to put our arguments to the test and see if they stood up to analysis. The result, we think, is solid data that illustrates the condition of safety-net hospitals today like no case we’ve ever made in the past. The numbers we used come from the state itself, and their implications are clear. We knew that policy-makers were interested in helping safety-net hospitals, but they weren’t sure that we truly needed their help. This study, we hope, will help convince them.”

In recent months, SNAP has been sharing information developed through the study. In late November, the state House signaled its growing recognition of the importance of safety-net hospitals when it passed a resolution defining safety-net hospitals, acknowledging the special role they play, and calling on the General Assembly to “take into account the special situation of these vital hospitals when implementing public policy.”

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.

A copy of *The Challenges Facing Safety-Net Hospitals* accompanies this news release as an Adobe Acrobat (PDF) attachment. Printed copies of the report are available upon request, as are a brief FAQ about SNAP, a list of safety-net hospitals in Pennsylvania, and policy and position papers.

For further information about the Safety-Net Association of Pennsylvania or *The Financial Challenges Facing Safety-Net Hospitals*, please contact Charles DeBrunner, President and CEO, at (717) 234-6970.

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