

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

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Hospital Group Criticizes Governor's Proposed Budget Cuts, Calls for Restoration of Selected Medical Assistance Funds

(Harrisburg) A group representing hospitals that care for especially large numbers of low-income patients today said that a proposed 2003-2004 state budget now on a fast track through the General Assembly will force thousands of Pennsylvanians to do without basic health care services and force some hospitals to close their doors.

The Safety-Net Association of Pennsylvania (SNAP) called for Governor Ed Rendell and the General Assembly to restore \$90.8 million in state Medical Assistance funds that were not included in the governor's 2003-2004 budget proposal. In a letter to Governor Rendell, SNAP noted that the proposed Medical Assistance spending cuts "threaten the viability of the very hospitals that play the greatest role in caring for low-income Pennsylvanians."

According to Charles DeBrunner, SNAP's president, the proposed budget asks for "the 25 percent of Pennsylvania hospitals that do the most to care for the poor to pay for 82 percent of the proposed Medical Assistance spending cuts." Those hospitals, DeBrunner said, provide 55 percent of the care to Medical Assistance recipients in Pennsylvania.

Rendell's budget proposal eliminates three major types of Medical Assistance payments: outpatient disproportionate share payments, which are made specifically to hospitals that care for especially large numbers of Medical Assistance and uninsured patients; medical education payments, which are made to hospitals with teaching programs; and Community Access Fund payments, which direct money to hospitals that care for large numbers of uninsured people.

The proposed \$90.8 million cut would cost the state another \$78.1 million in federal Medicaid matching funds – a total of \$168.9 million in all. Of that \$168.9 million, \$139 million – 82 percent of the total amount – currently goes to safety-net hospitals.

"While the governor's intention may have been to spread the pain of budget cuts evenly across the hospital industry, that's not the effect that this budget proposal will have," DeBrunner explained. "The pain is unacceptable, the impact is unfair, and the implications for safety-net hospitals and the communities they serve across the commonwealth are potentially enormous."

One such community is Philadelphia.

"Consider the situation in North Philadelphia," DeBrunner explained. "Two hospitals there – Einstein and Temple – provide the vast majority of care in that community. Together, they'd lose

\$34.5 million a year in Medical Assistance payments under this budget proposal. You can't take that much money out of the health care system in one community and not expect to have a major impact on the availability of care for low-income residents."

Similar situations can be found elsewhere, DeBrunner added.

"Look at Monsour Medical Center, in Jeannette," DeBrunner said. "The hospital just came out of bankruptcy late last year, and now it must find a way to replace \$1.3 million in lost Medical Assistance payments. You have to wonder how that's going to affect the hospital's ability to complete its financial recovery. Equally important, you have to wonder what would happen to access to health care in Jeannette if the hospital can't find a way to absorb that loss."

The solution, according to DeBrunner, is for Governor Rendell to restore portions of his proposed Medical Assistance spending cuts that impact safety-net hospitals.

"Without this money, access to care will unquestionably suffer in many Pennsylvania communities," DeBrunner said. "While we appreciate and respect the governor's decision not to tighten Medical Assistance eligibility requirements, it does little good to maintain eligibility for current Medical Assistance recipients if you do not appropriate funds for their care and if, as a result, there are no providers left to care for them."

"With unemployment on the rise and more people losing their health insurance, the need for Medical Assistance services will certainly increase, not decrease," DeBrunner said. "Our hospitals are the backbone of the Commonwealth's health care safety net. At a time when the demands on that safety net are likely to increase, safety-net hospitals cannot afford to withstand decreases in Medical Assistance reimbursement – nor can the Commonwealth afford for these hospitals to go under at a time when the demand for their services is greater than ever."

DeBrunner said a number of Pennsylvania safety-net hospitals have closed in recent years. Reducing Medical Assistance payments even further could lead to a new round of hospital closings.

"You can't take \$139 million out of this one part of the state's health care system and not expect something like that – or worse," he said.

The Safety-Net Association of Pennsylvania represents the interests of private, acute-care hospitals that play the leading role in caring for poor, disadvantaged, and uninsured residents of the Commonwealth. Safety-net hospitals are the 25 percent of hospitals in Pennsylvania that care for the highest combined proportion of uninsured patients, Medical Assistance recipients, and Medicare SSI recipients and 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 48 safety-net hospitals in Pennsylvania out of 192 acute-care hospitals in the state overall.

A copy of SNAP's letter to Governor Rendell accompanies this press release. For further information about the governor's proposed Medical Assistance spending reductions, the projected implications of spending cuts for individual hospitals throughout Pennsylvania, or the Safety-Net Association of Pennsylvania, please contact Charles DeBrunner, SNAP's president, at (717) 234-6970. Additional information about the association also can be found on our web site, www.pasafetynet.org.

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