

# Safety-Net Association of Pennsylvania

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## **Governor's Proposed Budget Not Spending Federal Medicaid Stimulus Money on PA's Medicaid Program, Hospital Group Charges**

(Harrisburg) Despite an expected infusion of \$1.9 billion in federal stimulus money for Medicaid services in FY 2010, the Rendell administration's proposed FY 2010 budget calls for cutting selected Medicaid payments to hospitals, according to the Safety-Net Association of Pennsylvania (SNAP).

Chief among those that would bear the brunt of the proposed state cuts would be Pennsylvania's safety-net hospitals, which would see huge reductions in special payments they receive from the state to help them with the additional costs they incur caring for especially large numbers of Medical Assistance and uninsured payments. (Pennsylvania's Medicaid program is known as "Medical Assistance.")

These safety-net hospitals are the 25 percent of acute-care hospitals in Pennsylvania that care for the highest proportion of low-income, Medical Assistance, and uninsured patients. Together, safety-net hospitals would suffer 86 percent of the state's reduction in supplemental payments to acute-care hospitals.

Under the Rendell administration's budget proposal, the state's share of these supplemental payments would be slashed by \$27.5 million. Because the federal government matches state Medical Assistance spending, the total loss to the state's hospitals would be nearly \$61 million.

This reduction of state spending on Medical Assistance comes at a time when the demand for publicly funded health care services is rising. Growth in Pennsylvania's Medical Assistance rolls has already exceeded projections for all of FY 2009 and the state's proposed FY 2010 budget anticipates an increase of another 3.2 percent, which will bring total Medical Assistance enrollment in Pennsylvania above the two million mark. Meanwhile, a survey released by the state Insurance Department in January shows that more than one million Pennsylvanians currently lack health insurance. Finally, the state projects that by June, another 282,000 Pennsylvanians will be on the waiting list for Adult Basic, the state's limited health insurance program for low-income adults who do not qualify for Medical Assistance.

"This reduction just doesn't make sense," according to SNAP president Michael Chirieleison. "Congress specifically directed that stimulus money to the states be used to protect their Medicaid programs because it understood that the slumping economy and rising unemployment would result in more people qualifying for Medicaid and more people losing their health insurance. The whole point was to help the states cope with this crisis, and the idea that Pennsylvania is receiving billions in federal Medicaid stimulus money and at the same time is cutting payments that are essential for hospitals that care for low-income patients is just plain wrong.

"In fact, Congress was explicit that it was providing this money to prevent the very cuts in payments to providers that the administration has now proposed."

The federal stimulus bill (the “American Recovery and Reinvestment Act of 2009”) states that the purpose of the Medicaid stimulus money is “To protect and maintain State Medicaid programs during a period of economic downturn, including by helping to avert cuts to provider payment rates and benefits or services...”

“We find it hard to believe that out of the \$1.9 billion in additional money that the federal government is giving Pennsylvania this upcoming fiscal year for Medicaid, the administration can’t find a way to spend \$27.5 million of it to prevent these payment reductions,” Chirieleison said. “\$27.5 million out of \$1.9 billion – that’s less than 1.5 percent of the total amount of federal Medicaid stimulus money for FY 2010.”

In light of such circumstances, SNAP believes the state should use the federal Medicaid money to support its own Medicaid program and to pay safety-net hospitals no less than they currently receive in light of the growing demand for their services. If the state does not do so, Chirieleison adds, this raises two important questions: “Where is the federal Medicaid money going and why is it not being used as Congress so clearly intended?”

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 the uninsured Pennsylvanians. Safety-net hospitals are the 25 percent of hospitals in the state 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. These hospitals are located throughout the state – in the east, west, and central portions of Pennsylvania, in urban, suburban, and rural areas, and in 19 of the state’s 67 counties. As a result of the patients they serve, safety-net hospitals face a significant, continuing, disproportionate challenge to their financial health.

Additional information about the Safety-Net Association of Pennsylvania can be found on the group’s web site at [www.pasafetynet.org](http://www.pasafetynet.org).

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