

Safety-Net Association of Pennsylvania

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We Are...Pennsylvania's Health Care Safety Net

A Perspective of the Safety-Net Association of Pennsylvania April 15, 2009

Safety-net hospitals play the leading role in caring for the poor, the disadvantaged, and the uninsured residents of Pennsylvania. They form the heart of the state's health care safety net: the place where people go for care when they have few or no options.

Pennsylvania's safety-net hospitals are the 25 percent of acute-care hospitals in the state that care for the highest combined proportion of Medical Assistance and Medicare SSI recipients and uninsured patients. The state's 37 private safety-net hospitals are large and small and can be found in eastern, western, and central Pennsylvania, in urban, suburban, and rural areas, and in 19 of the state's 67 counties.

The Importance of Medical Assistance and Other State Payments to Safety-Net Hospitals

Because safety-net hospitals care for more Medical Assistance patients than other hospitals, Medical Assistance revenue constitutes a much higher proportion of their overall revenue than it does for other hospitals. This makes safety-net hospitals far more dependent on Medical Assistance than the typical Pennsylvania hospital. When Medical Assistance payments fail to keep pace with inflation or are reduced, safety-net hospitals feel significant pain; many non-safety-net hospitals may barely even notice.

Because safety-net hospitals care for more uninsured patients than other hospitals, they are far more dependent on supplemental payments made by the state to help them care for their many uninsured patients – payments like those made through Pennsylvania's Community Access Fund and Tobacco Uncompensated Care Fund.

Safety-net hospitals suffer considerably because of the long-running and well-known inadequacy of Medical Assistance payments. Today, those payments cover about 80 percent of the cost of hospital inpatient care and 50 percent of the cost of hospital outpatient services. This leads to a very simple but often overlooked conclusion: the more Medical Assistance patients a hospital serves, the more money it loses. Because safety-net hospitals serve more Medical Assistance patients than other hospitals, they lose more money doing so than those other hospitals.

Supplemental payments designed to compensate safety-net hospitals for the care they provide to uninsured Pennsylvanians, while welcome, do not even begin to cover the true cost of that care. Again, because safety-net hospitals serve more uninsured patients than other Pennsylvania hospitals, they lose more money doing so.

The Special Challenges That Pennsylvania's Safety-Net Hospitals Face

In addition to the state's chronic underpayment for the care they provide to their Medical Assistance patients, Pennsylvania's safety-net hospitals also face other challenges to their ability to continue serving their communities. The low-income patients who turn to these hospitals for care are often fundamentally sicker than the "average" hospital patient and are more expensive to treat. Many are uninsured, so the

hospitals must absorb the cost of their care. Some of these hospitals offer money-losing services that are needed by their communities – services like neonatal intensive care, behavioral health, trauma and burn care, and others – that many other hospitals choose not to offer. The price many pay for going above and beyond in this manner is a balance sheet that makes it extremely expensive, if not impossible, for them to borrow the money they need to keep their facilities commensurate with the demands of modern medicine.

Doing More Than Their Fair Share

Government expects hospitals to operate like businesses, yet hospitals may be the only businesses that government expects to give away significant quantities of their services – and safety-net hospitals give away more of their services than other hospitals. In FY 2007, Pennsylvania’s safety-net hospitals – again, just 25 percent of the state’s acute-care hospitals – provided nearly 40 percent of the \$678 million in uncompensated care provided by the state’s hospitals as a whole. Similarly, as noted above, Medical Assistance is notorious for underpaying hospitals, and in FY 2007, Pennsylvania’s safety-net hospitals absorbed an estimated half-billion dollars in Medical Assistance underpayments. In a very real sense, these hospitals are subsidizing Medical Assistance. Without question, Pennsylvania’s safety-net hospitals are doing more than their fair share to serve low-income Pennsylvanians.

The Special Role of Safety-Net Hospitals in a Weak Economy

Safety-net hospitals typically are located in communities where incomes are lower than average, unemployment is higher than average, and fewer people have private health insurance. While a weak national economy can affect almost anyone, the residents of these communities are more vulnerable than most to job, income, and health insurance loss.

A weak economy, with its rising rates of unemployment and health insurance loss, increases the demands on safety-net hospitals – and without question, that demand is growing in Pennsylvania. Enrollment in Medical Assistance, for example, is expected to soar above two million by the end of FY 2010; in January of 2009, the Pennsylvania Insurance Department reported that more than one million Pennsylvanians are uninsured; and the administration’s proposed FY 2010 budget projects that by June of 2009, the waiting list for Adult Basic, Pennsylvania’s limited health insurance plan for low-income adults who do not qualify for Medical Assistance, will reach 282,000. Many of these people – most of them, in fact – will end up turning to Pennsylvania’s safety-net hospitals for care.

Conclusion

Pennsylvania’s safety-net hospitals play an essential role in providing access to care to all Pennsylvanians, regardless of their ability to pay for that care. In a state with no public hospitals, these hospitals work in partnership with the state in service to its residents. The Safety-Net Association of Pennsylvania looks forward to working with state officials to ensure continued access to care for all Pennsylvanians.

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