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STATEMENT

NAPH Urges Congress to Reject White House Proposal to Cut Supplemental Safety Net Payments

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National Association of Public Hospitals and Health Systems (NAPH)
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Washington, DC—NAPH strongly supports expanded coverage for the uninsured but is concerned that coverage expansions not be funded by diverting payments to public hospitals that support essential safety net services in our nation's communities. NAPH represents our nation's public and other safety net hospital systems that serve all patients regardless of ability to pay. These systems are vital now and into the future post health care reform as they help vulnerable populations navigate the health care system, fill the gaps in our health care system, train our nation's physicians and provide essential services like trauma and burn care needed by all in their communities.

On Saturday, June 13, the White House proposed cutting Medicare and Medicaid payments to hospitals by over \$200 billion over the next ten years in order to partially fund expanded coverage under health reform. (Such payments are otherwise known as "disproportionate share hospital" or "DSH" payments). Specifically, the statement released by the Administration said: "As health reform phases in, the number of uninsured will go down, and we would be able to reduce payments to hospitals for treating those previously uncovered." The Administration's statement proposed a specific formula for reducing Medicare and Medicaid DSH payments to safety net hospitals, starting in 2013, to achieve a total reduction of 75% by the year FY 2019.

The supplemental payments targeted by the Administration are intended to cover far more than just the costs of caring for the uninsured. These Medicare and Medicaid payments also support a wide range of other uncompensated safety net costs. These include:

- the unreimbursed standby costs of providing essential community-wide services like trauma care and emergency psychiatric care;
- the significant extra costs of providing additional "wrap-around" services needed by vulnerable low income patient populations whether they have coverage or not (such as translation services, social work services, transportation);
- the costs of providing access for insured and uninsured patients alike to health services (including primary care and specialty outpatient care in addition to hospital inpatient care) in medically underserved areas;
- the substantial shortfall created by inadequate Medicaid provider payments in many parts of the country; and
- the added costs of caring for low income elderly or disabled patients dually eligible for both Medicare and Medicaid or for the Supplemental Security Income program.

While we accept that there would likely be some adjustment to DSH payments once health reform is fully implemented, we believe that the calculation of any such adjustment should occur only after the needs of the remaining uninsured and the ongoing un-reimbursed costs of other safety net services can be carefully assessed. The Administration proposal would establish a rigid formula that would begin to cut payments well before coverage has been expanded and would lead to a drastic reduction in payments long before the true remaining needs can be assessed.

NAPH urges the Administration to rethink this proposal and strongly recommends that the Congress reject it in the forthcoming debate, in favor of an approach that would assess the true extent of the ongoing need for supplemental payments only after expanded coverage has been fully achieved.