

Safety-Net Association of Pennsylvania

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Governor's Proposed Budget Targets Safety-Net Hospitals for Major Cuts

(Harrisburg) For the second consecutive year, Governor Rendell has proposed focusing major Medical Assistance spending cuts on Pennsylvania's safety-net hospitals – the 55 acute-care hospitals in the state that provide the majority of health care to low-income Pennsylvanians, including Medical Assistance recipients and the uninsured.

According to a preliminary analysis by the Safety-Net Association of Pennsylvania (SNAP), the proposed budget would slash supplemental Medical Assistance payments to Pennsylvania hospitals by 25 to 32 percent, or more than \$60 million (state and federal dollars). These cuts would be borne disproportionately by the one-third of hospitals in the state that play the biggest role in caring for low-income Pennsylvanians.

The purpose of Medical Assistance supplemental payments is to provide additional financial assistance to hospitals that care for especially large numbers and high proportions of low-income patients. These payments are so important because Medical Assistance payments currently cover less than 80 percent of the cost of inpatient services and 50 percent of outpatient care costs, which means that the more Medical Assistance patients safety-net hospitals serve, the more money they lose – and these safety-net hospitals care for far more Medical Assistance patients than non-safety-net providers.

The payments targeted for the biggest cuts are the state's core supplemental Medical Assistance payments – those that do the most to help safety-net hospitals. These payments include inpatient disproportionate share payments, outpatient disproportionate share payments, medical education payments, and Community Access Fund payments.

“This budget just doesn't make sense,” according to SNAP president Michael Chirieleison. “Medical Assistance enrollment is up, the number of uninsured Pennsylvanians is up, the waiting list to enroll in the state's Adult Basic program is up, but payments to the hospitals that care for most of those people are going down.”

SNAP's immediate concern is that the Rendell administration's proposed FY 2011 budget bears too great a resemblance to its current FY 2010 budget, which also targeted safety-net hospitals for the biggest share of spending cuts.

“Last year, we were told that the state budget would be one of ‘shared pain,’” Chirieleison said. “But that pain turned out to be anything but shared. The facts clearly, overwhelmingly prove otherwise. Now, we're seeing that all over again with this year's proposed budget.”

In Pennsylvania's FY 2010 budget, the state's safety-net hospitals absorbed 89 percent of the cuts in hospital payments, or \$34 million. This turned out not to be “shared pain” at all. Instead, it meant a drastic reduction in payments that was disproportionately borne by one type of hospital.

Many Pennsylvania safety-net hospitals have struggled financially because of the current year's Medical Assistance payment cuts, and these proposed cuts promise to increase those struggles.

“One safety-net hospital has closed in the past year and we know of at least one other, and possibly more, that are heading that way,” Chirieleison said. “The administration seems to believe that it can keep cutting in this manner without affecting access to care, but we’re now seeing that this is not the case. This proposed budget would make things worse.”

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. These 55 hospitals provide disproportionate amounts of care to the state’s 2.1 million Medical Assistance recipients and one million uninsured residents. As a result of the patients they serve, safety-net hospitals face a significant, continuing challenge to their financial health. While all of these safety-net hospitals share the common characteristic of their unusual level of service to low-income Pennsylvanians, they are diverse in other ways: they include community hospitals, teaching hospitals, children’s hospitals, and academic medical centers; they are large, small, and medium-sized hospitals; they are located in urban, suburban, and rural areas as well as in the western, eastern, and central parts of the state; and they can be found in 31 of Pennsylvania’s 67 counties.

Additional information about the Safety-Net Association of Pennsylvania can be found on the group’s web site at www.pasafetynet.org.

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