



## **Pennsylvania Safety-Net Hospitals: The Importance of Preserving Uncompensated Care Payments June 2014**

As Pennsylvania seeks to craft a balanced state budget amid very challenging revenue collections and forecasts, it is imperative that the state continue to fully fund Tobacco Uncompensated Care payments. These payments are critical in helping safety-net hospitals mitigate the impact of the significant amounts of uncompensated care they provide to the uninsured and underinsured. To do so, the state should: a) expend available FY 2014 funding already authorized for this purpose; and b) resist the temptation to use FY 2015 tobacco settlement funding for any purpose other than what was prescribed in Act 71 of 2013.

### **Uncompensated Care**

When hospitals provide care to patients who lack insurance, are underinsured, or who fail to pay a required co-payment, such cases are classified as uncompensated care. While hospitals can and in many cases must attempt to collect unpaid bills, the reality is that most of the people who incur such debts simply do not have the means to pay them.

A look at uncompensated care in Pennsylvania shows that:

- Pennsylvania acute-care hospitals provided \$1 billion worth of uncompensated care during FY 2013.
- Of that \$1 billion, Pennsylvania's 41 safety-net hospitals, although just 25 percent of the state's acute-care hospitals, provided 45 percent of that uncompensated care, or about \$447 million worth.
- The \$1 billion figure for uncompensated care does not include public payer shortfalls: the sometimes considerable difference between what government programs, including Medical Assistance, pay hospitals for the services they provide to their publicly insured patients and the costs hospitals incur providing that care.

### **Safety-Net Hospitals in the Uncompensated Care Equation**

Why do safety-net hospitals provide such disproportionate amounts of uncompensated care? Because they are located in and serve communities with especially large numbers of uninsured residents and Medical Assistance recipients.

By definition, safety-net hospitals serve more Medical Assistance patients than the typical hospital: they are in the top 25 percent of hospitals in the state in caring for Medical Assistance patients (currently, this means Medical Assistance pays for more than 19.5 percent of their inpatient days) and also deliver babies or provide inpatient behavioral health service – the two services required most by the state's Medical Assistance population – or provide at least 25 percent of their services to Medical Assistance patients.



These safety-net hospitals are the primary providers of care to Pennsylvania's Medical Assistance population.

- They provide 59 percent of all inpatient care Medical Assistance patients receive.
- They deliver 62 percent of all Medical Assistance-covered babies born in the state in a typical year and 40 percent of all the babies born in the entire state in a typical year.
- They provide 67 percent of all inpatient behavioral care provided to the state's Medical Assistance population in a typical year.

Today, approximately one million Pennsylvanians lack health insurance. In general, these uninsured Pennsylvanians live in the same communities as most of the state's Medical Assistance recipients – communities served by the state's private safety-net hospitals. This is why safety-net hospitals provide such a disproportionate amount of the uncompensated care delivered by Pennsylvania's hospitals. While many of these uninsured Pennsylvanians may eventually obtain insurance – either private insurance or Medical Assistance – as a result of federal and state health care reforms, until they do they will continue to depend on, and turn to, the state's safety-net hospitals when they are injured or ill.

### **Payments to Help Hospitals With Uncompensated Care in Jeopardy**

Tobacco Uncompensated Care Fund payments are supplemental state payments to hospitals that provide significant amounts of uncompensated care; they are underwritten by proceeds from the national master tobacco settlement of 1998 and matched by the federal government. It is essential that the state:

- a) expend available FY 2014 funding already authorized for this purpose; and
- b) resist the temptation to use FY 2015 tobacco settlement funding for any purpose other than what was prescribed in Act 71 of 2013.

### **About the Safety-Net Association of Pennsylvania**

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 41 hospitals provide disproportionate amounts of care to the state's 2.2 million Medicaid recipients and one million uninsured residents. As a result of the patients they serve and the communities in which they are located, safety-net hospitals face a significant, continuing challenge to their financial health. SNAP's mission is to secure better, fairer reimbursement for the hospitals that serve as partners of the state in ensuring that Medicaid recipients receive the benefits to which they are entitled. 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 many 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 24 of Pennsylvania's 67 counties.