

## Protect Pennsylvania's Safety-Net Hospitals from Major Proposed Medicaid Cuts

### PAYMENTS AT RISK

*The proposed FY2016 budget calls for significant cuts in state Medicaid spending, which would hit the state's 41 private safety-net hospitals especially hard.*

#### HOSPITAL OB/NICU UNITS

**-\$6.7** million state funds

**-\$13.9** million w/ federal Medicaid match

#### HOSPITAL BURN CENTERS

**-\$3.8** million state funds

**-\$7.9** million w/ federal Medicaid match

#### REVENUE MAXIMIZATION

**\$130** million for unspecified Medicaid 'revenue maximization projects', which could potentially mean an increase in the state's assessment on inpatient hospital revenue

The Safety-Net Association of Pennsylvania urges the state's General Assembly to restore \$148 million in Medicaid spending cuts in the administration's proposed FY 2016 budget.

The proposed FY 2016 budget calls for **completely eliminating Medicaid supplemental payments to qualified hospital OB/NICU units**, a challenge first because delivering babies is the number one hospital service sought by Medicaid recipients in Pennsylvania. Secondly, because the state's low rate of reimbursement for Medicaid-covered deliveries (in fact, Medicaid accounts for nearly half of *all* births in the state) helped drive numerous hospitals out of the maternity business in recent years. Between 1997 and 2007, hospitals were closing their maternity units at alarming rates; increasing the burden on the remaining hospitals offering these services. These special OB/NICU payments were introduced in 2008 specifically to address this problem, and together with tort reform they have helped: fewer hospitals have closed their maternity units in recent years and the situation has largely stabilized. Eliminating these special OB/NICU payments could once again destabilize access to these services for all Pennsylvanians.

The proposed FY 2016 budget also calls for **completely eliminating Medicaid supplemental payments to qualified hospital burn centers**. Burn care is among the most expensive types of care a hospital can provide because it involves long periods of hospitalization and a more staff-intensive effort than most hospital patients require, and there are considerable fixed costs incurred to operate a unit regardless of utilization. The losses hospitals incur providing burn care are considerable, and for this reason, most hospitals choose not to offer this service. Currently, the state makes these supplemental Medicaid payments to only six designated hospital burn centers. The loss of these payments could jeopardize the ability of one or more of those hospitals to continue providing specialized burn care for entire regions of Pennsylvanians.

Finally, the proposed FY 2016 budget calls for replacing \$130 million in state Medicaid funding through unspecified "revenue maximization projects." This initiative could translate into **a significant increase in the state's assessment on inpatient hospital revenue**. Through the Quality Care Assessment, initially levied in 2011, hospitals have financed critical improvement in Medicaid payment adequacy while also contributing \$639 million in state budgetary relief over a five year period. Seeking to derive an **additional** \$130 million in state funding support translates into almost doubling the \$140 million annual contribution. Additionally, through another assessment, Philadelphia-area hospitals have contributed an additional \$300 million to the state's general fund. Increasing or imposing any assessments on the Commonwealth's hospitals would significantly threaten the stability of these programs and Medicaid funding at a time when safety-net hospitals are being asked to serve more Medicaid patients than ever.

**The Safety-Net Association of Pennsylvania asks the General Assembly** to restore all funding for Medicaid OB/NICU, burn center, and critical access payments, and restore the \$130 million proposed revenue maximization. Maintaining vital Medicaid funding is critical to ensuring that hospitals in general, and safety-net hospitals in particular, can deliver quality health care services to the state's growing Medicaid population, while also investing in innovative ways to improve the quality and efficiency of health care for all Pennsylvanians.