



Governor's Budget Includes Multiple Threats to Hospital Funding

PA Governor Tom Corbett has called for more than \$600 million in cuts to Department of Public Welfare programs in his proposed FY 2013 budget. With that figure accounting only for state spending, the total cuts could reach more than \$1 billion.

Most of the cuts would be the result of changes in the eligibility of the General Assistance population for cash grants and Medical Assistance coverage, the conversion of human service program funding into block grants, and various cost-containment measures.

Areas Targeted for Direct Cuts to Hospitals

The governor proposed cuts for the following hospital-related payments (state dollars only): a four percent cut in fee-for-service inpatient base rate payments – about \$12.5 million; \$1.3 million in reduced payments to state-related academic medical centers – a 10 percent cut; and a \$644,000 cut in payments to physician practice plans – another 10 percent cut. Nursing home payments also are slated for a four percent cut – about \$46.4 million.

The governor also proposed eliminating \$59 million in research funding under the Commonwealth Universal Research Enhancement Program (CURE), which was established under the Tobacco Settlement Act to provide grants for clinical, health services, and biomedical research.

What is SNAP?

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 57 hospitals provide disproportionate amounts of care to the state's two 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.

Areas Spared Any Cuts

The governor's proposal calls for no cuts in core supplemental payments: Medicaid inpatient DSH, outpatient DSH, and medical education payments. Funding for tobacco uncompensated care payments would not change.

The budget also calls for no additional cuts in OB/NICU, trauma, burn center, and critical access hospital supplemental payments. These payments had already been cut 25 percent in the FY 2012 budget and another 10 percent in January, so they now stand to be roughly 67 percent of what they were a year ago at this time.

Cost-Containment Measures

The administration's proposed FY 2013 budget calls for other major Medical Assistance cost-containment initiatives, including:

- A \$170 million cut in General Assistance coverage that would be achieved by tightening eligibility for medical services – a cut that would probably be borne mostly by HealthChoices plans but also would likely result in increased hospital uncompensated care costs.
- \$168 million in savings from a 20 percent cut in current county human service programs, which will be transferred to counties under a new block grant. It is unclear how this new approach would affect funding for hospitals currently providing behavioral health and drug and alcohol services to Medical Assistance patients.
- \$20 million in savings from implementing new clinical review programs for Medicaid recipients with chronic medical conditions.
- \$10 million in savings from putting Medicaid recipients newly enrolled during a hospital stay into the fee-for-service program (instead of a HealthChoices plan) until their eligibility is recertified after six months.
- \$5 million in savings through prospective audit enhancements.

A Silver Lining for Safety-Net Hospitals

While the proposed budget has serious implications, it also offers a silver lining for safety-net hospitals: for the first time in more than a decade, the state did not propose major cuts in core supplemental payments as its primary means of reducing Medicaid spending.

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Cuts for Hospitals (continued)

This is not a coincidence, according to SNAP president Michael Chirieleison.

“For years, one of SNAP’s primary messages to policy-makers has been that when times are tough, they need to focus their limited resources on the hospitals that play the biggest role in caring for Medical Assistance patients and not target those very hospitals for most of the cuts.

“When the Corbett administration took office we redoubled our efforts to convey this key message and have talked about it in virtually every encounter we’ve had with officials in the governor’s office and the Department of Public Welfare. It’s gratifying to see that they were paying attention and have spread the burden of cuts among all hospitals, not just safety-net hospitals.

“We still need to work with the hospital industry to seek the restoration of as much of this reduced spending as possible, but for the first time in a long time, we’re not facing the prospect of absolutely devastating cuts that almost exclusively target safety-net hospitals.” ■

For further information about the Safety-Net Association of Pennsylvania or any of the information or views offered in SNAPshots, please contact Michael Chirieleison, SNAP’s president, at 717-234-6970.