

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

The Safety-Net Association of Pennsylvania urges the state's General Assembly to restore more than \$35 million in Medicaid spending cuts in the administration's proposed FY 2017 budget.

The proposed FY 2017 budget calls for **eliminating Medicaid supplemental payments to qualified OB/NICU units**. This poses a challenge because delivering babies is the number one hospital service sought by Medicaid recipients in Pennsylvania; in fact, Medicaid pays for nearly half of all births in the state. In the past, low Medicaid payments helped drive numerous hospitals out of the maternity business, greatly reducing access to these services. The supplemental Medicaid OB/NICU payments introduced in 2008 contributed greatly to solving this problem: the trend of hospitals closing maternity units has largely ended and the situation has stabilized. Eliminating these OB/NICU supplemental payments now risks reversing a decade's worth of progress and jeopardizing access to these vital services for all Pennsylvanians.

The proposed FY 2017 budget also calls for **eliminating Medicaid supplemental payments to qualified hospital burn centers**. Burn care is among the most expensive types of care hospitals provide because it involves long periods of hospitalization, involves a more staff-intensive effort than most hospital patients require, and has significant fixed costs regardless of utilization. The losses hospitals incur operating burn units are considerable, and for this reason, most hospitals choose not to offer this service. Currently, the state makes these supplemental payments to only six designated hospital burn centers. The loss of these payments could jeopardize the ability of one or more of these hospitals to continue providing specialized burn care for entire regions of Pennsylvania.

Finally, **Pennsylvania imposes two taxes on hospitals**: a Philadelphia tax, levied in 2010, and a hospital assessment on almost every acute-care hospital in the state, introduced the following year. In both cases these taxes were introduced to help bring long overdue improvements in Medicaid payments. The city of Philadelphia receives \$8 million a year from the Philadelphia tax and the state receives \$50 million a year. Last year's budget increased the state-wide assessment to raise \$220 million for the state each of the next three years. **Safety-net hospitals alone, just 25% of Pennsylvania hospitals, have paid nearly 50% of the state-wide tax to date.** To date hospitals have paid approximately \$60 million in taxes that went to Philadelphia and more than \$1 billion into the state's General Fund – yet at the very same time that these hospitals are being asked to pay more than ever in hospital taxes the proposed budget calls for reducing their Medicaid payments.

### PAYMENTS AT RISK

*The proposed FY2017 budget calls for significant cuts in state Medicaid spending.*

#### 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

**The Safety-Net Association of Pennsylvania asks the General Assembly to restore all funding for Medicaid OB/NICU, burn center, and critical access hospital payments, and make no changes to current hospital assessments.** 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.