Protecting Philadelphia's Health Care Safety Net From the Financial Implications of the Closing of Hahnemann University Hospital

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The Safety-Net Association of Pennsylvania (SNAP) believes that the best way to protect access to care and prevent additional financial strain on Philadelphia hospitals is to ensure that all state resources reallocated in the wake of Hahnemann University Hospital's closure follow the displaced patients.

The Importance of Stabilizing the Philadelphia Hospital Market

When a safety-net hospital closes, the patients it served and the financial burden the closed institution shouldered on behalf of government payers does not go away: it moves elsewhere. When St. Joseph's Hospital – a safety-net hospital – closed in 2016, its patients were forced to seek care at other institutions, including Hahnemann. In fact, Hahnemann's inpatient Medicaid discharges of patients who lived in the St. Joseph's service area increased nearly 20 percent in the wake of St. Joseph's closure and its overall uncompensated care more than doubled even as other Philadelphia hospitals experienced reductions in both of those measures. This happened in part because Hahnemann worked to ensure continued access for those patients: it stationed ambulances at St. Joseph's emergency room; it offered to hire all of St. Joseph's displaced physicians; it accepted the patients who remained in St. Joseph's at the time it closed; and it expanded its emergency department to handle the major influx of displaced St. Joseph's patients. The closing of one safety-net hospital, it turned out, necessitated major investments by the next-closest safety-net hospital to ensure continued access to care for patients who had lost their primary source of hospital services.

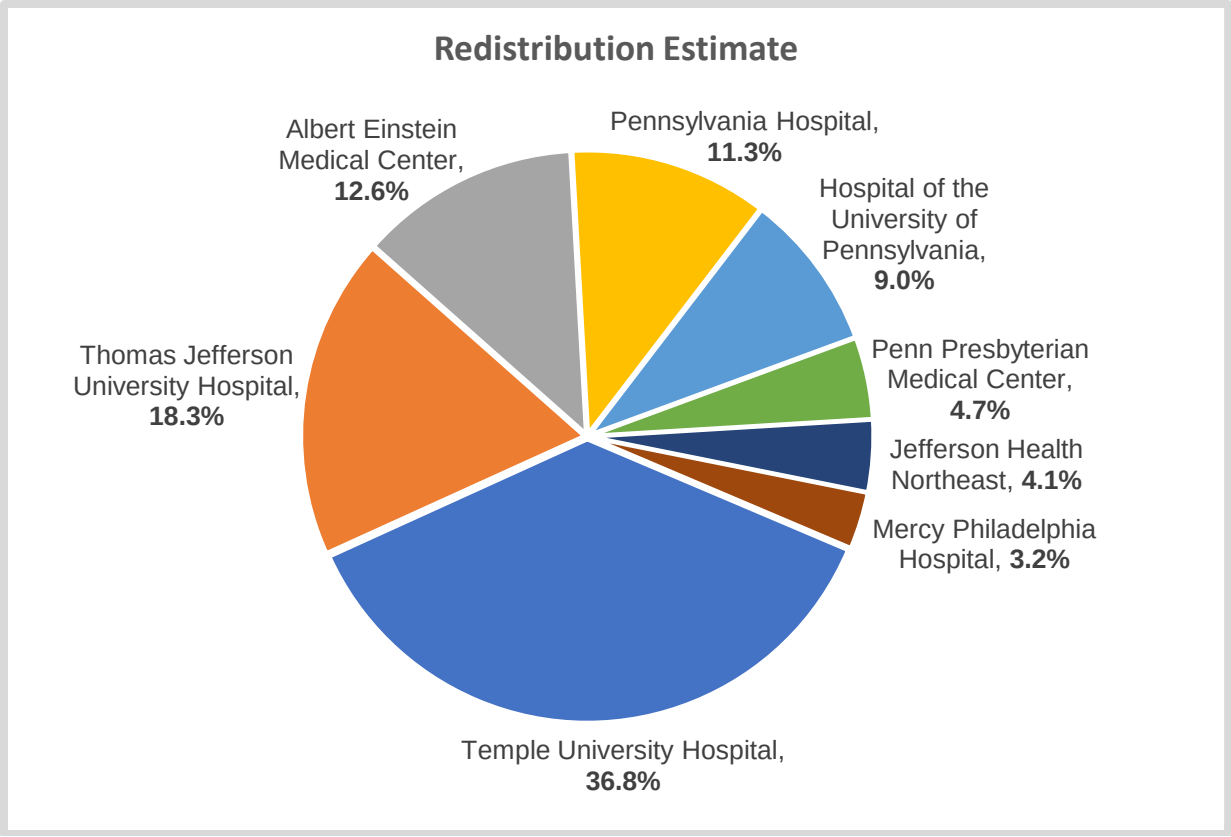
This is important because now Hahnemann, another safety-net hospital, has closed, and like St. Joseph's, Hahnemann cared for significant numbers of low-income patients. Based on the most recently available data, 43.9 percent of Hahnemann's discharges came from Pennsylvania's Medicaid program and Hahnemann provided $7.6 million in uncompensated care. This imposing payer mix will pose a considerable financial challenge to hospitals that inherit Hahnemann's former patients – especially if the Medicaid supplemental payments that supported Hahnemann's work do not follow those patients.

It is possible to use the experience of St. Joseph's closing to project where Hahnemann's displaced patients might go – and to prepare the surviving health care safety net to accommodate those patients. A review of other hospitals active in St. Joseph's primary service area in 2015 shows that Hahnemann was already a major participant in that service area and suggests that Hahnemann was likely to inherit most of St. Joseph's displaced patients. No such analysis was undertaken at the time, however, and an opportunity to prepare the health care safety net to respond effectively to the redistribution of Medicaid and uninsured patients was lost.

Now, three years later, the commonwealth has an opportunity to take the initiative to attempt to anticipate where Hahnemann's patients will turn for care and where the financial burden of serving so many of those patients will fall so that Hahnemann's losses do not reverberate throughout the Philadelphia hospital community as St. Joseph's did, causing additional strain on the remaining hospitals and threatening future access to care for these patients. SNAP urges the state to seize this opportunity.

Anticipating Where Patients Will Turn for Care

Building on the lessons of St. Joseph's closure, SNAP analyzed FY 2018 Philadelphia hospital data to project the likely redistribution of patients based on Hahnemann's primary service area and the proportion of patients from those zip codes who are served by other hospitals. This data-driven analysis suggests that roughly half of these patients will seek care in other North Philadelphia hospitals while the other half will seek care from hospitals elsewhere in the city. The following chart illustrates their likely destinations (assuming that other hospitals do not make a special effort to transition Hahnemann's Medicaid and uninsured patients).



A detailed explanation of the methodology employed in this calculation is available upon request.

Our Request: Early Intervention and Long-Term Sustainability

As displaced Hahnemann patients turn to other local hospitals for care, they will bring with them a significant financial challenge in the form of uncompensated care and Medicaid payments that generally cover only about 81 percent of the cost of the care those hospitals will provide. SNAP believes that state Medicaid resources, in the form of existing DSH and supplemental Medicaid payments previously received by Hahnemann, should accompany the displaced patients, now that Hahnemann is closed, to the hospitals to which they turn for care, or to which they can be reasonably expected to turn for care, based on current Medicaid utilization data. These payments should not be redistributed statewide.

SNAP recommends the following methodology for redistributing these funds or distributing new funds.

- ***Medicaid managed care inpatient and outpatient supplemental payments***. These payments, addressed in Appendices 14 and 17 of the state's HealthChoices Physical Health contracts, are the largest component of the Medicaid supplemental payments previously received by Hahnemann. The Medicaid managed care utilization data that serves as the basis for these payments is updated monthly and paid to hospitals quarterly. As Hahnemann's displaced Medicaid patients, the overwhelming majority of whom are enrolled in Medicaid managed care plans, migrate to other local hospitals, this funding will naturally follow those patients in a timely manner. Consequently, there should be no changes to those payment methodologies.
- ***Existing fee-for-service supplemental payments without annual eligibility redeterminations*.** Hahnemann's share of these payments should be put toward the creation of a new supplemental payment to preserve access to medically necessary services and distributed among the hospitals identified in the pie chart above according to the percentages identified in that chart. The payments to which this should apply are:

    - inpatient DSH
    - outpatient DSH
    - medical education;
    - Community Access Fund
    - Medical Assistance stability
    - emergency room access to care

- ***Existing supplemental payments associated with particular service lines*.** Hahnemann's share of these payments, listed below, should be set aside in a separate pool of funds to be distributed only among those hospitals that are located in Philadelphia and that are otherwise eligible for such service-related payments. This pool of funds also should be supplemented by an additional appropriation of $2.5 million from the state to help relieve continued financial pressures in the Philadelphia market.

    - OB-NICU DSH
    - trauma DSH

- ***Newly-funded access-to-care payment.*** The financial conditions that led to St. Joseph's and Hahnemann's closures suggest that as disproportionate numbers of Medicaid and uninsured patients migrate to new hospitals, so will the extraordinary costs such hospitals will incur treating these patients. As such, the commonwealth should closely monitor and continually evaluate the extent to which any hospitals incur extraordinary costs caring for disproportionate volumes of new Medicaid and uninsured patients previously served by these now-defunct hospitals. Further, if the increased costs associated with this care creates a demonstrated burden on any remaining safety-net hospitals that threatens their continued ability to serve these patients, the state should create a new Medicaid access-to-care payment to support such hospitals' continued provision of such care.

The focus of all of these efforts should remain on ensuring that the *residents* of Philadelphia continue to have access to the city's remaining hospitals as they turn to new providers to help meet their health care needs.