

## NAUH Launches Bid for Special Payments for Urban Safety-Net Hospitals

NAUH plans to ask Congress to make annual, special supplemental payments to selected urban safety-net hospitals.

The association is in the process of developing a comprehensive proposal for the supplemental payments and anticipates having that proposal ready by the end of March.

“This is an idea that’s long overdue,” explained John Day, NAUH president and president and CEO of Southcoast Health System, in Massachusetts. “Public hospitals get funds from their local and state governments, and for years now, selected rural hospitals have been designated as essential to access to care in their communities and receive special, supplemental payments to help them fulfill their responsibility to their communities. We believe there’s a small but distinct group of private urban hospitals that are just as essential to their communities and equally deserving of special assistance. Now, we’re looking for an opportunity to take our case to Congress and ask for that assistance for these hospitals.”

The NAUH effort will proceed in three phases. An internal advisory committee is currently developing eligibility criteria for special payments. When it finishes its work, a new committee will develop a mechanism for the delivery of the proposed supplemental payments. NAUH’s in-house policy analysts will examine proposals and model data to ascertain which hospitals might qualify and how much money such a new program might cost. With the proposal then substantially completed, a third committee will create and engineer a strategy to

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**The National Association of Urban Hospitals advocates for adequate recognition and financing of the nation’s private, urban, safety-net hospitals, which serve America’s needy urban communities.**

**For further information about the Association, or the information presented in this document, please contact Ellen Kugler at 703-444-0989.**

## 2005 Budget: No Medicare, Medicaid Cuts

President Bush’s proposed budget for the 2005 federal fiscal year includes modest increases in Medicare and Medicaid spending.

The President has proposed increasing Medicare spending from \$266 billion in the current fiscal year to \$290 billion in FY 2005. Medicaid and CHIP spending would rise from \$183 billion to \$188 billion.

One item of potential concern for high-volume Medicaid hospitals is the budget’s call for \$1.5 billion in savings for “Medicaid integrity.” It is widely thought that the administration may crack down on some of the mechanisms that

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## Feds Collect Occupational Mix Data

The federal Centers for Medicare and Medicaid Services (CMS) is now collecting data on the occupational mix of hospital staffs, and according to NAUH executive director Ellen Kugler, urban safety-net hospitals should be concerned about how this data may be used.

“Congress wants CMS to use this data to modify the Medicare area wage index, and we think it may be used in a manner that would be detrimental to urban safety-net hospitals,” Kugler explained.

According to Kugler, many observers believe that the data will show that urban hospitals, in general, employ more highly skilled health care professionals than hospitals in rural areas. Congress then might seize upon this to suggest that those rural hospitals are more efficient in their use of federal Medicare funds and adjust urban area wage indexes downward.

“Using the data in that manner,” Kugler explained, “ignores the fact that urban hospitals are bigger hospitals that provide a broader array of more complex medical services. So it’s only

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## Special Payments, Continued

cultivate congressional support for the NAUH proposal and get it on Congress's legislative agenda this year.

"This won't be easy," Day noted. "There are a lot of competing interests out there with a lot of legitimate needs. But our hospitals truly need this assistance if they are to survive to serve their communities. If these hospitals disappear, as many of them are in danger of doing, access to care would be jeopardized not only for the poor, but also for the elderly and insured residents of the communities those hospitals serve."

The proposal that NAUH eventually develops could have a profound and lasting impact on urban hospitals' finances, so members are urged to ensure that they are represented on the committees that are working on this issue. ♦

## 2005 Budget, Continued

some states are employing to increase federal financial participation in their state Medicaid programs – mechanisms such as intergovernmental transfers and provider taxes. This could leave significant holes in some state budgets – holes that the states may seek to fill by reducing payments to providers or cutting back on Medicaid eligibility or benefits.

While observers have noted that the modest increase in Medicaid spending suggests that the administration may have abandoned the idea of pursuing Medicaid reform this year, NAUH executive director Ellen Kugler offers the following caution.

"It's true that pursuing an ambitious Medicaid reform proposal in an election year would be difficult, especially with a change at the top of the House Energy and Commerce Committee," Kugler explained, referring to the anticipated resignation later this month of Rep. Billy Tauzin (R-LA) as the committee's chairman. "But a budget without cuts only means that whatever they do would have to be budget-neutral for this year or would have to take effect at a later time. It's still very possible that the administration may attempt to put a Medicaid reform proposal on the table this year." ♦

## Occupational Mix, Continued

natural that they employ higher-skilled people to perform those complex services. If occupational mix data is used punitively against large urban hospitals and teaching hospitals, some of those hospitals could have no choice but to try to reduce their occupational mix by terminating some complex services. That would hurt everyone – including the lower-cost rural hospitals that routinely send their sickest patients to those same large urban hospitals for highly specialized care."

CMS is expected to outline how it will use the occupational mix data through regulations to be published later this year. ♦

## NAUH Finalizes 2004 Legislative Agenda

NAUH has adopted an ambitious legislative agenda for 2004 that includes developing and advocating for special supplemental payments for selected urban safety-net hospitals (see "NAUH Launches Bid for 'Special Payments' for Urban Safety-Net Hospitals" above).

The association's agenda also calls for preventing reductions in federal payments to urban hospitals; protecting Medicare disproportionate share hospital (DSH) and medical education payments; advocating the implementation of a severity-based DRG system for Medicare; representing urban hospitals during any Medicaid reform effort; and promoting improved access to care for uninsured and underinsured Americans.

The entire 2004 NAUH legislative agenda can be found on the NAUH web site at [www.nauh.org](http://www.nauh.org). In the coming months, individual components of the NAUH agenda will be expanded into separate position papers that also will be posted on NAUH's web site. ♦

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*For further information about the news and views presented in NAUH Update, or to learn about membership, please contact Ellen Kugler, executive director, at 703-444-0989.*