

House Budget Bill Would Harm Urban Safety-Net Hospitals

A budget resolution passed by the House Budget Committee would cut federal Medicaid spending by \$93 billion and potentially cut federal Medicare spending by \$65 billion over the next ten years.

The House committee originally proposed cutting Medicare by more than \$260 billion over 10 years but relented under intense pressure from colleagues, constituents, and interest groups – including NAUH – settling for the lesser amount.

But even that lesser amount is still a problem for urban safety-net hospitals, according to NAUH executive director Ellen Kugler.

“We’ve been fighting to restore funds from last year’s cuts, so this will make our road much more difficult,” Kugler said. “We’d like to see additional money in the federal budget to restore past disproportionate share and indirect medical education cuts. We need to make it clear that any cuts are a problem for us. The number of uninsured is on the rise and the population is aging, which means that the demand for Medicare and Medicaid services is increasing, not decreasing, so funding for these programs needs to increase as well.”

The budget bill’s implications for urban safety-net hospitals are not entirely clear, Kugler notes, explaining that the Senate’s budget bill does not include these Medicare and Medicaid cuts. The House and Senate budget bills will be reconciled by a conference committee.

Either way, the willingness of the House to adopt such major cuts is not good news for urban safety-net hospitals, which still fear the possibility of further Medicare and Medicaid reductions when the next federal fiscal year begins in October. ♦

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.

NAUH Testifies on Proposed Medicaid Reform

NAUH has submitted testimony on President Bush’s Medicaid reform proposal to the House Energy and Commerce Committee’s Health Subcommittee.

The President’s proposal calls for offering states additional Medicaid money for seven years and extra flexibility in how they can use their federal Medicaid funds and structure their Medicaid programs in exchange for limited federal growth in future federal Medicaid spending. States would be required to repay the additional money back to the federal government and hospitals would be at risk if the number of Medicaid recipients and uninsured people grows.

NAUH expressed four specific objections to the President’s proposal:

1. The proposed program would limit Medicaid’s future growth in a manner that does not correlate changes in spending with changes in need. Some observers believe this would amount to a “block grant” approach.
2. The proposed program would allow states to eliminate their Medicaid disproportionate share programs without providing for another way to achieve the essential objectives of that program.

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NAUH Responds to Proposed Outlier Regulation

Last month, the Centers for Medicare & Medicaid Services (CMS) proposed new regulations to govern Medicare cost outlier payments. These new regulations were CMS’s response to allegations that some hospitals have been maximizing Medicare outlier revenue through especially aggressive accounting practices.

The proposed CMS regulations call for a new way of calculating Medicare cost outliers,

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NAUH Testifies, Continued

3. The proposed program would reduce federal oversight of Medicaid; history has shown such oversight to be absolutely vital to ensuring the program's integrity and effectiveness.
4. The proposed program redistributes financial risk for financing care for the poor, moving it from the federal government and state governments to individual hospitals. Clearly, urban safety-net hospitals are not in a position to assume such financial risk.

NAUH also urged the House Energy and Commerce Committee to require the federal government to distinguish among providers when it reshapes Medicaid and to provide special assistance and financial consideration to providers – like private, non-profit, urban safety-net hospitals – that constitute the health care safety net in the U.S. today.

A copy of NAUH's full testimony is available upon request. ♦

Outlier Regulation, Continued

determining the threshold for outlier status, and reconciling outlier claims.

In a letter to CMS, NAUH made four specific recommendations on the proposed regulations:

1. The method for determining future thresholds for Medicare cost outlier status must reflect the changes in the regulation.
2. The threshold for Medicare cost outlier status must be recalculated at the same time that the regulation is changed.
3. Outlier payments to hospitals should only be reconciled if a hospital's ratio of costs to charges has changed by more than 15 percent from the previous year.
4. CMS should implement a severity-based DRG system, which would greatly reduce the number of outliers by capturing most cases within the regular DRG system.

Medicare cost outliers are important to urban safety-net hospitals because most of these hospitals

are tertiary-care institutions that frequently attract the most complex and expensive medical cases – cases that often are eligible for outlier status. ♦

Urban Hospital Day Set

NAUH will hold its annual "Urban Hospital Day" on Thursday, May 8 in Washington, D.C.

The purpose of Urban Hospital Day is to bring together government policy-makers and urban hospital leaders for an exchange of information and views on federal policies that affect the delivery of health care in large and small urban communities.

The event, to be staged in the U.S. Capitol, will feature presentations by members of Congress and selected NAUH members on issues that affect urban safety-net hospitals today. NAUH also has invited CMS administrator Tom Scully to discuss the Bush administration's plans for Medicare and Medicaid.

In addition, NAUH will present its latest research: a technical study on how selected proposals to alter federal Medicare reimbursement practices would affect the financial health of private, non-profit, urban safety-net hospitals.

As usual, NAUH is inviting executives of urban safety-net hospitals that are not NAUH members to attend; last year, more than a dozen attended. Non-members interested in attending should contact Michael Zeik at 703-444-0989 for further information. NAUH members should check their mail for details. ♦

NAUH Welcomes New Member

NAUH is pleased to welcome
its newest member:

**Detroit Receiving Hospital &
University Health Center**
Detroit, MI

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.