

## Congress Continues to Work on Medicaid Budget

The fiscal year 2005 federal budget is now being addressed by a House/Senate conference committee, with Medicaid cuts still a possibility.

The Bush administration originally proposed cutting Medicaid \$23 billion over ten years by reducing "fraud and abuse." The Senate initially responded by calling for \$10 billion in cuts over five years but pulled back; its current position is that there should be no Medicaid cuts.

The House, however, is still calling for \$2.2 billion in cuts over five years.

This comes in addition to the loss of \$10 billion in one-time supplemental funds for Medicaid that Congress provided to the states for the current fiscal year.

A budget conference committee is now trying to work out the differences between the two chambers of Congress. ♦

## New Estimates Pose Potential Threat to Medicare

Two new sets of financial estimates have raised the possibility that Congress may pursue another round of Medicare spending cuts in the near future.

First, it was revealed that the price tag that the Bush administration has placed on the prescription drug benefit and other parts of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003,

- Continued on Page 2

**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.**

## Congress Looks at Intergovernmental Transfers

The House Energy and Commerce Committee has held two hearings on intergovernmental transfers, the increasingly controversial mechanism that many states use to help fund their Medicaid programs.

At the first hearing, held on March 18, some members of the Energy and Commerce Committee called for ending the so-called transition period for states to take advantage of their upper payment limits to maximize their ability to draw down extra federal Medicaid funds. Congress gave selected states a period of years to ease themselves out of this practice, but

- Continued on Page 2

## Administration Works on Medicare Payments for Undocumented Residents

The Bush administration has begun efforts to determine how to pay providers for care they deliver to undocumented residents, as called for in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

Under section 1101 of the new law, Medicare is supposed to provide supplemental funding to providers that care for undocumented individuals. Now, the administration is trying to decide how to divide such funds among different provider types and different parts of the country. It also must determine whether all providers that care for undocumented individuals should receive such payments or only those that provide at least a specified amount of care.

The new approach will be spelled out in rules to be issued by CMS. NAUH intends to provide comments to CMS in anticipation of those new rules and may comment, as appropriate, when the agency publishes its proposed new rules. ♦

---

## Potential Threat, Continued

originally \$400 billion over the next 10 years, is actually more than \$600 billion.

Second, federal officials now estimate that the Medicare trust fund, which currently stands at \$251 billion, will run out of money in 2019 – six years earlier than previous estimates. At that point, Medicare taxes will cover only 91 percent of the program's costs.

NAUH executive director Ellen Kugler warns that this could pose a problem for the hospital industry – and for urban safety-net hospitals in particular.

"A lot of people are alarmed by this new projection, and Congress may feel compelled to act to address the problem," Kugler said. "'Acting,' in this case, means cutting, and we all know that when Congress looks to cut Medicare spending, the first place it usually turns is to disproportionate share payments. That would make urban safety-net hospitals especially vulnerable to efforts to cut spending."

NAUH will monitor congressional efforts to address the Medicare trust fund and work to ensure that members of Congress fully understand the implications of any cost-cutting efforts for urban safety-net hospitals. This should not be an issue in the development of the FY 2005 budget currently being addressed by Congress, but rather in the following Congress in 2005. ♦

## Intergovernmental Transfers, Continued

some members of the committee called for ending that transition period immediately. Doing so, however, could threaten the funding of Medicaid programs in the affected states.

Some committee members, as well as representatives of the Office of the Inspector General (OIG) and General Accounting Office (GAO), questioned the legitimacy of some hospitals receiving more in Medicaid payments than their actual Medicaid costs, although all noted that there certainly were some legitimate supplemental Medicaid payments, such as the disproportionate share payments that safety-net hospitals receive.

At the second hearing, held on April 1, CMS official Dennis Smith indicated that he did not want to terminate the transition period but that the agency intends to focus on preventing the inappropriate use of intergovernmental transfers to fund the states' share of Medicaid. Smith said that CMS was working on a proposal to match states' claimed Medicaid expenditures based only on states' "true net expenditures" – that is, on the parts of the payments that states make to providers for Medicaid services that are actually kept by those providers, excluding money returned to the states by providers via intergovernmental transfers.

Smith estimated that 34 states are probably vulnerable to seeing their federal matching funds reduced under such an approach. He told the committee that CMS hopes to be able to identify for Congress which states would have money at risk, and how much money, sometime in April. He added that CMS hopes to have a legislative proposal for implementing its new approach in April as well. ♦

## "You've Got Mail?"

Would you prefer to receive your *NAUH Update* electronically rather than on paper? If so, please send an e-mail to [wanda@nauh.org](mailto:wanda@nauh.org) and NAUH will remove your name from our *NAUH Update* hard copy mailing list and deliver your monthly newsletter to your e-mail box instead. Also, if you would like colleagues at your hospital to receive the newsletter, just submit their e-mail addresses and NAUH will put them on its electronic distribution list as well. ♦

*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.*