

## NAUH Members Meet in Washington, Agree to Chart New Course

Members of the National Association of Urban Hospitals met in Washington, D.C. on Friday, October 3 to discuss the organization's legislative agenda for 2004 and chart an exciting new course of action for the group.

While continuing to support NAUH's traditional policy interests in matters involving Medicare and Medicaid DSH, Medicare IME and wage-index, severity-based DRGs, and more, members decided that NAUH needs to launch a bold new broad-based policy initiative to make federal policy-makers more aware of the needs of urban safety-net hospitals and forge a better approach to ensuring the viability of institutions that care for significant numbers of low-income, elderly, and uninsured Americans.

"Now that we've established ourselves as the voice of urban safety-net hospitals, we're ready to step out and do more for those hospitals," explained NAUH president John Day, who is president and CEO of Southcoast Health System in New Bedford, MA. "In recent years, circumstances have dictated that we play more defense than we would have liked, working against this regulation or that piece of legislation. Now, it's time to play offense: urban safety-net hospitals are government-dependent, we exist in large part to serve government-insured patients, and the time has come for us to tell government what we need to do that job properly and for government to be as responsive to our needs as it has been to the needs of others."

In the coming months, NAUH members will play a very hands-on role in crafting new policy initiatives that promise to address the needs of safety-net hospitals. ♦

**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 Kuiler at 703-444-0989.**

## NAUH Jumps Into Medicare Reform Debate

As the Medicare reform conference committee continues to try to reconcile the House and Senate versions of Medicare reform legislation, NAUH has made sure that conferees know about the needs of urban hospitals.

NAUH wrote to House Speaker Dennis Hastert when he appointed members of the conference committee and asked him to support six NAUH needs: restoration of Medicare IME funding, a Medicare wage index increase, increased Medicare bad debt reimbursement, enhanced Medicare DSH payments, correction of the 75 percent rule for rehab hospitals, and relief from

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## MedPAC Takes Narrow Look at Hospital Financial Health

The Medicare Payment Advisory Commission (MedPAC) has again turned a blind eye to the realities of health care today and declared that the hospital industry is in strong financial condition.

At its October 9-10 meetings, MedPAC cited case mix, Medicare DSH payments, and Medicare IME payments as the driving forces behind the industry's growing, positive Medicare margins.

MedPAC focuses on hospital Medicare margins because, as a report produced for the meetings explained, "...the Commission has concluded that Medicare payments should relate to the costs of treating Medicare patients."

NAUH rejects this logic, maintaining that Medicare margins are an inadequate measure of hospital financial health.

"Medicare margins only tell you about Medicare margins," explained Ellen Kugler,

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## Medicare Reform Debate, Continued

the Medicaid DSH cliff (major Balanced Budget Act of 1997 cuts that took effect this year).

In a letter to the entire conference committee, NAUH focused on four specific urban safety-net hospital needs: restoration of Medicare IME funding, relief from the Medicaid DSH cliff, a carve-out of Medicare DSH funds from payments to Medicare managed care organizations, and a provision calling for a study of the financial condition of private, non-profit, urban safety-net hospitals.

NAUH also supported efforts to persuade members of Congress to sign a letter to the conference committee urging conferees to suspend this year's Medicaid DSH cut.

In addition, NAUH publicly supported Sen. Charles Grassley's effort to prevent CMS from reducing Medicare market basket adjustments over the next three years, as proposed in the House version of the Medicare reform bill.

The conference committee is expected to continue work until the end of October and will not address provider issues until the very end. When it does, it will do so with ample information about the needs of urban hospitals. ♦

## Hospital Financial Health, Continued

NAUH's executive director. "They don't tell you anything meaningful about the overall financial health of a hospital. When it comes to safety-net hospitals, those Medicare margins had better be healthy because you know you're going to need that cushion to compensate for all of the Medicaid and uninsured patients those hospitals care for. After all, that's what Medicare DSH is for."

Kugler cited NAUH's June study, *The Operating Margins of Urban Safety-Net Hospitals and the Projected Impact of Reductions of Medicare DSH on Those Operating Margins*, as a better barometer of hospital financial health.

"Our analysis of 1999 data found that urban DSH hospitals as a group have a collective operating margin of -5.7 percent," Kugler explained. "All

urban DSH hospitals with at least 100 beds that serve at least 15 percent Medicaid recipients have a collective operating margin of -8.5 percent. That's not a portrait of an industry doing better than ever."

NAUH is concerned about the potential influence of MedPAC's declaration.

"Congress takes MedPAC's conclusions very seriously," Kugler said. "We worry that it will lead some people to believe they can cut Medicare payments to hospitals even more because our allegedly new-found financial health would enable us to withstand such cuts. That's just not true, and our job now is to make sure that Congress understands that MedPAC has painted an overly broad and incomplete picture of the financial health of many hospitals." ♦

### NAUH Welcomes New Members

NAUH is pleased to welcome five new members:

- Bridgeport Hospital  
Bridgeport, CT;
- Brockton Hospital  
Brockton, MA;
- Lawrence General Hospital  
Lawrence, MA;
- Lifespan Corporation  
which includes  
- Rhode Island Hospital and  
- Miriam Hospital  
both in Providence; and
- Yale-New Haven Hospital  
New Haven, CT.

*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.*