

Medicare Reform Becomes Law

While the new Medicare reform law directs no assistance specifically to urban hospitals, some of those hospitals will benefit to a limited degree from some of the bill's less-publicized provisions.

The new Medicare law raises indirect medical education (IME) payments — not a genuine increase, but a reversal of some of the cuts mandated by the Balanced Budget Act of 1997 (BBA). It also addresses the Medicaid DSH cliff, restoring Medicaid DSH funds that also had been cut because of BBA. A few states will even see Medicaid DSH increases.

Urban hospitals with fewer than 100 beds will receive bigger Medicare DSH payments.

A few cuts that urban hospitals anticipated never materialized in the final bill: neither the annual inpatient market basket increase nor the area wage index were reduced.

On the negative side, Congress ignored NAUH's request for a balanced approach that would help all providers and did not carve Medicare DSH funds out of payments to Medicare managed care plans, restore Medicare bad debt reimbursement, or raise the area wage index for large urban areas.

While passage of this historic bill marks the end of Congress's work on Medicare in 2003, this will not be the end of Medicare reform. Many members of Congress are unhappy with numerous aspects of the bill and are expected to attempt to address them next year.

NAUH, meanwhile, will continue to focus solely on representing the interests of the nation's urban 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 Kuoler at 703-444-0989.

Area Wage Index Reform in 2004?

The Medicare area wage index appears to be on the 2004 policy agenda of both Congress and the Bush administration.

Within Congress, several proposals are now quietly circulating regarding changing the Medicare area wage index. Meanwhile, the Centers for Medicare and Medicaid Services (CMS) is working on its own wage index proposal. Both could have a dramatic effect on many private, non-profit urban safety-net hospitals.

NAUH will keep its members apprised of new developments. ♦

NAUH Comments on Policy Changes

NAUH has provided written comments to CMS on two matters of importance to urban hospitals.

The latest Medicare cost report includes a series of questions on uncompensated care; these questions have been years in the making. NAUH has worked closely with CMS on this matter, and while the new questions represent a significant improvement over CMS's original mechanism, they still pose problems in a number of areas. NAUH has written to CMS, identifying the remaining problems and proposing ways to address them.

CMS also has published a proposed regulation outlining a mechanism through which it would identify and exclude hospitals from participation in Medicare if it concludes that they are overcharging Medicare. NAUH objects to the manner in which CMS's Office of the Inspector General proposes going about this process and articulated its objections in a formal response to the federal agency.

NAUH's responses in both of these matters were shaped and approved by a technical advisory committee consisting of representatives of NAUH member hospitals. The letters can be found on NAUH's web site (www.nauh.org). ♦

Delay on 75% Rule for Rehab Hospitals

2003 will end without the implementation of CMS's proposed 75% rule for rehab hospitals.

If implemented as proposed, the 75% rule would reinterpret the manner in which hospitals are classified as inpatient rehabilitation facilities for Medicare payment purposes, resulting in approximately 50 percent of patients losing access to rehab services and more than 85 percent of rehab hospitals losing their rehab certification within four years.

After hearing from more than 300 members of Congress about their misgivings about the proposed rule, CMS has taken a step back and is now revising the regulation. While no date has been given for its intended release and implementation, expect to see a revised draft of the regulation during the first quarter of 2004. ♦

MedPAC Prediction Bad News for Urban Hospitals

At the December meeting of the Medicare Payment Advisory Commission (MedPAC), the agency's staff, noting that overall hospital margins have declined in each of the past two years, predicted that they will decline yet again in 2004.

Despite this prediction, the staff also recommended a 2005 Medicare payment update of market basket minus 0.4 percent.

NAUH notes with interest that the recently enacted Medicare reform bill will mean a significant infusion of cash for most rural hospitals. Because this cash will help, rather than hurt, the Medicare margins of these hospitals, it is clear that any nation-wide decline in hospital Medicare margins will come because of the continued declining financial performance of urban hospitals — the same urban hospitals that Congress chose to ignore when it came time for Medicare reform. ♦

For a closer look at the declining financial performance of private, non-profit urban hospitals, see the NAUH study *The Operating Margins of Urban Safety-Net Hospitals and the Projected*

Impact of Reductions of Medicare DSH on Those Operating Margins, which can be found on the NAUH web site at <http://www.nauh.org>. ♦

NAUH in the News

The November edition of the magazine *Health Leaders* featured a cover story entitled "Disintegrating Urban Hospitals." Quoted in the article are NAUH member Les Bowman, president of Detroit Receiving Hospital, and NAUH executive director Ellen Kugler.

The article makes for interesting reading, describing the financial problems that plague the health care safety net in Detroit, Los Angeles, and Washington, D.C. Copies are available at the *Health Leaders* web site (www.healthleaders.com/magazine). ♦

NAUH Elects Officers

NAUH has elected its officers for 2004. Returning as president will be John Day, of Southcoast Health System in Massachusetts. Returning as vice president is Mark Richards, of Thomas Jefferson University Hospital in Philadelphia. New NAUH officers are Les Bowman, of Detroit Receiving Hospital, who will be secretary, and John Finger, of the Albert Einstein Medical Center in Philadelphia, who will be treasurer. ♦

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.