

Introducing...

# The National Association of Urban Hospitals

*Private safety-net hospitals caring for needy communities*

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The National Association of Urban Hospitals represents the federal policy interests of private, non-profit urban hospitals in cities large and small throughout the U.S. The typical urban hospital represented by the group serves significant proportions of Medicare and Medicaid patients. They also generally care for meaningful numbers of uninsured patients. Many have teaching programs.

Based on whom they serve, these urban hospitals are vital parts of the health care safety net in communities across the country.

## **Government-Dependent Patients, Government-Dependent Hospitals**

With so many patients insured by Medicare and Medicaid, many urban hospitals are highly dependent on government for their patient revenue. Because of where they are located, they have comparatively fewer privately insured patients than other hospitals, and consequently, fewer opportunities to engage in the cost-shifting that enables other hospitals to compensate for the inadequate reimbursement they receive from Medicare and, to a far greater degree, from Medicaid.

In a very real sense, many urban hospitals exist primarily to care for government-insured patients and are themselves government-dependent institutions. Without their Medicare, Medicaid, and uninsured patients, many would have little or no reason to exist.

Without these hospitals, however, many low-income and elderly urban Americans would have little or no access to quality health care. For this reason, these urban hospitals are an important part of the American health care safety net: government needs them and they need government.

## **Not the Same as Public Hospitals**

While still a vital part of the health care safety net, private, non-profit urban hospitals should not be confused with public hospitals – but they often are, sometimes leading to the misperception that they should seek additional assistance from their local

or state government rather than the federal government.

Although they can be found in similar communities, providing similar services to similar people for similar compensation, private, non-profit urban safety-net hospitals lack public hospitals' access to selected government funds. Public hospitals typically enjoy significant financial support from their local and state governments.

In contrast, private, non-profit hospitals have no statutory access or entitlement to local and state funds. Consequently, they often do the same job as public hospitals but with fewer resources.

## **The Burden of Government Underpayment**

While the federal government and state governments clearly want hospitals to care for the people they ensure – Medicare and Medicaid beneficiaries – they historically have been far less interested in paying providers adequately for that care. This places a financial burden on all hospitals — but especially on urban safety-net hospitals, because they care for so many more government-insured patients than other hospitals.

Medicare's reimbursement to urban hospitals is inadequate. Disproportionate share payments, for example, have not kept pace with the needs that gave rise to such payments in the first place. The adequacy of medical education payments has eroded in recent years. Annual market basket inflation adjustments, moreover, generally begin with a calculation of actual cost increases and then work backward, thereby ensuring that with every passing year, urban hospitals that care for large numbers of elderly patients fall further and further behind.

Medicaid is even worse. In most states, Medicaid does not even attempt to cover the actual cost of the care that hospitals deliver to their Medicaid patients. In fact, states routinely demand that hospitals accept significantly-below-cost payments for caring for Medicaid patients. Meanwhile, Medicaid

disproportionate payments, like their Medicare counterparts, become less and less adequate every year.

The current economic downturn has exacerbated this situation, causing budget problems that have forced states to look for ways to save money. With Medicaid one of the largest items in their budgets, many states have chosen to cut their Medicaid programs. When they do, low-income people – and often, more of them, because of rising unemployment – still seek and hospitals still provide medical care; the only difference is that the state no longer pays for much of that care, leaving hospitals struggling to get by on even less Medicaid revenue while providing even more care to low-income patients.

Today, hospitals understand that the more Medicaid patients they serve, the more money they lose. Urban safety-net hospitals serve huge numbers of Medicaid patients. As a result, they are increasingly losing huge amounts of money.

## **The Result of Government Underpayment**

All of this government underpayment takes a toll on the financial health of urban hospitals. Collectively, urban safety-net hospitals have lower operating margins than any other group of hospitals in the country. The larger the urban hospital and the more Medicaid patients it treats, the worse its operating margin becomes. Even the worst-performing group of rural hospitals has a far better operating margin than the best-performing group of urban hospitals.

## **The Importance of Urban Hospitals**

The case for the federal government to act definitively to preserve and protect private, non-profit urban hospitals is compelling. First and foremost, they are the primary providers of care to large, densely populated urban communities – communities with ethnically and racially diverse populations, large numbers of seniors and frail elderly residents, and many low-income, uninsured, and underinsured residents who have few choices about where they can turn for care.

In addition, they typically are their communities' largest employer; they offer a broad range of medical services, including highly specialized and often highly unprofitable services unmatched by most other hospitals; and they are where future physicians train

for their life's work and where the breakthrough technologies that those physicians will use are pioneered.

There is no "market" for caring for low-income people. Venture capitalists are not putting up money to serve Medicaid patients for whom they would be reimbursed less than cost and entrepreneurs are not lining up for the right to serve uninsured people who show up sick at their door but with no money to pay for care.

Without private, non-profit urban hospitals, government would have to spend untold billions to create a new health care safety net – the safety net that these very hospitals provide today for literally tens of millions of urban Americans.

## **The Need for Separate, Special Advocacy**

If the case for the federal government to act definitively to preserve and protect private, non-profit urban hospitals is indeed compelling, so, too, is the case for a separate, specialized group to advocate the interests of those hospitals. The events of recent years have illustrated boldly that no one else is making the case on behalf of urban hospitals. The evidence, not to mention the results, suggests that no one else is even trying.

The National Association of Urban Hospitals is the best hope today for private urban hospitals. If the leaders of those hospitals expect any positive action from Washington in the near future, history has made it clear that they will have to advocate that action themselves.

Only the National Association of Urban Hospitals devotes 100 percent of its effort to advocating on behalf of those hospitals; only the National Association of Urban Hospitals has the interests of urban hospitals, and only urban hospitals, at heart.

If urban hospitals do not lead this advocacy on their own behalf, nothing will change. The National Association of Urban Hospitals is the only viable, credible vehicle today for that advocacy. □