NAUH
NATIONAL ASSOCIATION OF URBAN HOSPITALS

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Hospital Group Urges Congress to Protect Urban Safety-Net Hospitals From Further Medicare Cuts

(Washington, D.C.) In response to criticism of hospitals' opposition to Medicare spending cuts proposed to help solve the Medicare "doc fix" problem, the National Association of Urban Hospitals (NAUH) has elaborated on its opposition to the proposed cuts.

Under H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2011, Medicare would reduce its reimbursement to hospitals for their Medicare bad debt – unpaid Medicare bills – from the current 70 percent of that bad debt to just 55 percent. This would generate $14 billion of the $39 billion needed to enable Congress to prevent a 27.4 percent reduction in Medicare payments to physicians that is schedule to take effect on January 1, 2012 – what has widely come to be called the "Medicare doc fix."

Proponents of the bill have criticized hospital groups for opposing the proposal, noting that a cut of $14 billion over the next ten years represents just one-half of one percent of anticipated Medicare spending over that time.

Those numbers tell only part of the story, according to NAUH executive director Ellen Kugler.

"What the numbers don't tell you is that the $14 billion will not be spread out evenly among the more than 5000 acute-care hospitals in the U.S. today. Instead, it will be borne primarily by a relatively small number of hospitals. That makes $14 billion a great deal of money, not an insignificant amount.

"Medicare bad debt consists overwhelmingly of deductibles and co-pays that very low-income seniors who are also eligible for Medicaid can't afford to pay," Kugler continues. "The hospitals that would lose this $14 billion are those that care for the largest numbers of low-income elderly patients who are responsible for most hospital Medicare bad debt. Among that small number of hospitals are private, non-profit urban safety-net hospitals, which care for far larger numbers of Medicare patients, far larger numbers of Medicaid patients, and far larger numbers of dually eligible Medicare/Medicaid patients than the typical American hospital."

In response to charges that hospitals do a poor job of collecting their Medicare bad debt, Kugler noted that most hospital Medicare bad debt is uncollectible.

"The patients who are responsible for most hospital Medicare bad debt are low-income seniors who also are eligible for Medicaid and who absolutely can't afford their Medicare co-pays and deductibles. You can't collect what people don't have. In fact, hospitals aren't even permitted to initiate collection proceedings against dually eligible seniors. No one wants large hospitals pursuing poor people for their Medicare co-pays and deductibles. Congress certainly doesn't want it, and it told hospitals not to do it."

Urban safety-net hospitals already expect to be hit hard by $155 billion in payment cuts mandated by the Affordable Care Act. Like the proposed cut in Medicare bad debt reimbursement, this $155 billion disproportionately targets urban safety-net hospitals and others that care for especially high proportions of low-income and uninsured patients.

In addition to the $155 billion in payment cuts, urban safety-net hospitals also face the prospect of the two percent sequestration cuts in Medicare payments that begin in 2013 because of the failure of the recent deficit reduction committee as well as other Medicare and Medicaid cuts proposed as part of H.R. 3630.

Despite its opposition to H.R. 3630 as currently structured, NAUH strongly encourage Congress to develop an effective and workable doc fix while protecting private, non-profit safety-net hospitals from further Medicare cuts.

The National Association of Urban Hospitals advocates for adequate recognition and financing of private, non- profit, urban safety-net hospitals that serve America's needy urban communities. These urban safety-net hospitals differ from other hospitals in a number of key ways: they serve communities whose residents are much older and poorer; they are far more reliant on Medicare and Medicaid for revenue; they provide far more uncompensated care; and unlike public safety-net hospitals, they have no statutory entitlement to local or state funds to underwrite their costs. NAUH's role is to ensure that when federal officials make policy decisions, they understand the implications of those decisions for these distinctive urban safety-net hospitals. NAUH pursues its mission through a combination of vigorous, informed advocacy, data-driven positions, and an energetic membership with a clear stake in the outcome of public policy debates.

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