



**Testimony Submitted to the House Ways and Means Committee
by the
National Association of Urban Hospitals
About Current Hospital Issues in the Medicare Program
May 20, 2014**

The National Association of Urban Hospitals (NAUH) appreciates the Ways and Means Committee's interest in examining perspectives about a number of hospital issues in the Medicare program, including the proposed two-midnight rule, short inpatient stays, outpatient observation stays, and audits and appeals. The nation's private, non-profit urban safety-net hospitals have special interest in another Medicare issue – Medicare DSH cuts – and appreciate the opportunity to share our perspectives on this matter with the committee today.

About the National Association of Urban Hospitals

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 dependent 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.

The Issue: Medicare DSH Payments

Medicare disproportionate share hospital payments (Medicare DSH) are supplemental payments made only to hospitals that care for especially large numbers of low-income and uninsured patients. These hospitals suffer significant financial losses caring for these patients and Medicare DSH helps lessen those losses.

The Affordable Care Act calls for significant reductions of future Medicare DSH payments. The underlying rationale for these cuts is that because the reform law will result in millions of more Americans having health insurance, hospitals will care for fewer uninsured patients, which in turn will decrease their need for Medicare DSH.





During the current fiscal year, Medicare has reduced Medicare DSH payments more than \$500 million. Last month, the Centers for Medicare & Medicaid Services (CMS) proposed reducing them \$2.1 billion in FY 2015.

Medicare DSH Cuts: Too Much, Too Soon

By definition, hospitals that qualify for Medicare DSH payments are the very providers that care for the greatest numbers of low-income, low-income elderly, and uninsured patients. Among them are the nation's private, non-profit urban safety-net hospitals, and these and other Medicare DSH recipients are ill-equipped to shoulder further Medicare DSH cuts at this time. In recent years, these hospitals have incurred, or about to incur, approximately \$270 billion in reductions of their Medicare payments. These cuts include reductions in their annual cost-of-living adjustments and reduced Medicare bad debt reimbursement. They also include financial penalties through Medicare's hospital readmissions reductions and value-based purchasing programs – cuts that are now being questioned in numerous studies that suggest they are unfair to urban safety-net hospitals and others like them that care for especially large numbers of low-income patients. Finally, they continue to face across-the-board, two percent cuts in all of their Medicare payments as a result of sequestration – cuts that will last well into the next decade.

Urban safety-net hospitals and others like them are already struggling to accommodate these enormous cuts. Asking them to absorb more, in the form of further Medicare DSH cuts, could jeopardize their continued ability to provide the health care safety net their communities need and deserve.

Precedent for Delaying DSH Cuts

We believe Congress has already established a precedent for delaying reductions in DSH payments.

Specifically, twice in the past year it has voted to delay the implementation of similar Medicaid DSH cuts for a total of three years. These decisions, in our view, reflected Congress's collective judgment that these cuts were too much, too soon and that moving forward with them could jeopardize access to care in communities across the country.

NAUH believes the same is true of Medicare DSH cuts and that they, too, should be delayed to ensure that Americans have appropriate access to health care if and when they need it and to ensure that the fabric of the American health care safety net does not fray beyond repair.

Delay also is necessary because many Americans remain uninsured and will remain uninsured in the near future. A study published recently in the journal *Health Affairs*, in fact, noted that as many as 30 million people will remain uninsured and that providers' annual uncompensated care costs amounted to nearly \$85 billion last year. The study also suggested that plans to reduce funding for uncompensated care by cutting Medicare DSH and Medicaid DSH payments would compromise the future ability of these providers to care for their patients regardless of those patients' ability to pay for their care.

Conclusion

Today, millions of Americans remain uninsured, and as a result, moving forward with the proposed cuts in the Medicare DSH program could hinder access to care for those who need it most – including residents of the predominantly low-income communities served by the nation's private, non-profit urban





safety-net hospitals. In hurting the hospitals that serve these patients, moreover, Medicare DSH cuts also could hurt the other patients these same hospitals serve – those covered by private insurance and those covered by Medicare.

For these reasons, the National Association of Urban Hospitals urges Congress to work in a timely manner to delay the implementation of cuts in Medicare DSH payments by supporting legislation to achieve that end.

The National Association of Urban Hospitals appreciates this opportunity to convey our views on this vital issue to the Ways and Means Committee and welcomes any questions committee members or staff may have about the issue and those views.

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