

Protecting and Improving Care for Patients and Communities

Medicaid

Issue

For more than 40 years, Medicaid has served as the nation's health care safety net, providing access to health services for those who cannot afford private insurance in a dynamic and changing economy. This role has never been more critical than it is today, with more than 57 million children, poor, disabled and elderly individuals relying on Medicaid for care. The program now serves more people than Medicare and with the ranks of the uninsured growing – the Medicaid safety net is more important than ever.

Hospitals are the backbone of America's health care safety net, providing care to all patients who come through their doors, regardless of their ability to pay. But, hospitals already experience severe payment shortfalls when treating Medicaid patients. For example, in 2004 Medicaid paid less than 90 cents for every dollar spent treating Medicaid patients. And that same year hospitals provided nearly \$27 billion in uncompensated care to uninsured patients.

The Federal Budget. President Bush's proposed fiscal year 2007 budget calls for nearly \$13.6 billion in administrative reductions to the Medicaid program over the next five years. This comes on the heels of the \$4.7 billion reduction included in the Deficit Reduction Act of 2005, and before the national Medicaid Commission has had an opportunity to report on reform recommendations.

Specifically the administration's proposed budget includes the following Medicaid proposals of concern to hospitals and the people they serve:

- **Cap payments to government providers**, including public hospitals, to no more than the cost of furnishing services to Medicaid beneficiaries. Because Medicaid is the most significant payer for governmental safety net hospitals, reducing payments to these hospitals will be devastating, effectively eliminating the ability for reinvestment in the physical plant and harming efforts to subsidize care to individuals who are uninsured.
- **Further curb state Medicaid “financing practices.”** The Centers for Medicare & Medicaid Services (CMS) has already deployed a variety of mechanisms in the past several years to eliminate the inappropriate “recycling” of federal funding by states through intergovernmental transfers (IGTs). CMS has not identified any practice it deems illegitimate that it has not had the authority to terminate. In fact, the agency has touted its success in eliminating inappropriate uses of IGTs. Further administrative restrictions in this area are unnecessary.
- **Decrease the allowable provider tax rate** from 6 to 3 percent. Given the growing demands on other sources of state general revenue, this proposal will have a substantial impact on some states' ability to adequately fund their Medicaid programs.

AHA View

Oppose Medicaid cuts to hospitals. Any federal action to address the current Medicaid funding crisis or to change the program's structure should not place further financial pressure on states or diminish coverage for the children, poor, disabled and elderly Americans who rely on the program for health services. And, Medicaid cuts should not hurt hospitals' ability to provide patient care. Hospitals are already losing money treating Medicaid patients. Further cuts would make it that much harder or even impossible for hospitals to provide patient care to our most vulnerable patients.

Capitol Hill concurs. Key House Republicans are circulating a "Dear Colleague" letter urging Secretary Leavitt not to implement the administration's proposals to cut Medicaid spending through the regulatory process. The representatives call the administration's Medicaid proposals "drastic" and ones that could "jeopardize" hospitals ability to serve Medicaid patients and the uninsured population. Leading this initiative are Reps. Peter King (NY), Dave Reichert (WV), Rob Simmons (CT) and Cliff Stearns (FL). As of April 17, the letter had 21 cosigners.

Pursue thoughtful reform. The solution to Medicaid's problems is not harsh spending cuts. The program deserves a thoughtful, deliberative reform process that ensures that the nation meets its obligation to care for the neediest of our society.

The AHA Board of Trustees, in partnership with state hospital associations, created the AHA Medicaid Task Force to assist the AHA in the Medicaid reform debate. The task force developed reform principles, which were reviewed by hospital leaders and approved by AHA board, to help frame the debate on Medicaid reform. They are:

- ensure accountability, adequate funding and access to quality services;
- promote system change;
- rethink long-term care; and
- encourage innovation and public dialogue.

In December, the national Medicaid Commission will submit its recommendations on how to ensure the long-term sustainability of the Medicaid program to Secretary Leavitt and then to Congress