Proposal (Short Title): Equity for the Uninsured and Safety-Net Providers

Theme: Charity Care for the Uninsured and Medicaid Payment Increases for Safety-Net Providers – Submitted to the MRT Health Disparities Committee and the Payment Reform Committee. The Health Disparities Committee endorsed this proposal and sent to the Medicaid Redesign Team, which also approved.

Submitted by: Commission on the Public's Health System (CPHS). www.cphsnyc.org
45 Clinton Street, New York, NY 10002 212-246-0803.

Proposal Description:

Distribution of charity care funding will be made transparent and used to pay for the care of the uninsured. New federal law under Health Reform redirects some of the current federal funding under DSH (Disproportionate Share Hospitals) to pay for care of the newly insured. Remaining DSH funding will be distributed to states based on three factors: the remaining number of uninsured; whether the state uses the DSH money to pay for care of the uninsured; and whether the state targets DSH funding to hospitals with high Medicaid patients. To continue getting funding, New York is required to change the current way that the federal funding for charity care is distributed to hospitals.

Background:

New York has a long history of using public financing to help hospitals provide care to uninsured and underinsured patients. The State remains committed to supporting those institutions that provide this care. If you examine the way in which that money has been allocated, however, some inconsistencies arise. The formulas that allocate bad debt and charity care funds are complex and opaque. It is not clear how the allocation of money connects back to actual care provided to actual patients. The Commission on the Public's Health System (CPHS), and others, has long advocated for a more transparent system, where money indeed follows the patient.

Over a period of years, the CPHS documented the allocation of public dollars from the State's $847 million Hospital Indigent Care Pool intended to compensate hospitals for the indigent care they provided. As a result of this effort, CPHS published two reports that showed little or no relationship between the actual dollars received by the hospitals from the hospital Charity Care pool and the amount of health care services they provided to the uninsured. It is interesting to note that there is a separate community health center pool to pay for the care of the uninsured. This pool of dollars is much smaller than the hospital pool and is funding allocated to health centers based on their reporting care that they provide to the uninsured.

Despite recent efforts to change the allocation of charity care dollars, provider resistance has maintained the system almost untouched. There has, however, been movement over the last several years to ensure that they uninsured have access to health services regardless of their ability to pay. The first change was passage of the Hospital Financial Assistance Law (Subdivision 9-a of Section 2807-k of the New York State Public Health Law) – also called Manny's Law. For the first time, the State requires

that all hospitals develop a charity care sliding scale fee policy for New York residents with incomes at or below 300% of the federal poverty level, post these policies, and notify patients of their right to a sliding fee scale for payments based on income and family size.

The second important change came as the result of a 2008 State Task Force which reviewed the hospital charity care system, and resulted in the requirement that 10% of the total $847 million in the hospital Charity Care pool be distributed on the strength of the hospital showing it had cared for numbers of uninsured patients. The benefit of this very small movement is that in order to receive a share of the 10%, hospitals have to report all of the care they delivered to people with no health insurance. The reporting has enabled a more in-depth look at what hospitals are doing to provide care and to match that care to the dollars being distributed to these institutions.

Proposal:

Two Principles should guide the distribution of charity care funds: (1) Funding should follow the patient – hospitals should be paid from the charity care pool for providing care to uninsured patients; and (2) Payments to hospitals should be progressively increased based on providing a larger proportion of care for the uninsured.

Based on these principles, CPHS and an Advisory Committee worked with a consultant to developed specific changes in the way the State distributes Charity Care funding:

- The first step was to start with a uniform reimbursement, the median statewide Medicaid reimbursement rate, as a leveler for all hospitals in the state.
- The second step was to add to this median rate the regional costs for things like salaries and then to add more for the care of sicker patients.
- The third step is to add more dollars on a progressive scale for hospitals that treat a higher percentage of uninsured patients.
- The final step only occurs if the federal DSH dollars are greatly reduced; we proposed a way of combining the current pools to fund public and private hospitals. This is very important because the 21 public hospitals in the state provide the lions' share of services for the uninsured.

In a separate proposal, CPHS addresses additional funding for safety-net hospitals that provide a high proportion of care for Medicaid patients but do not provide as much care for the uninsured. To ensure that these hospitals do not lose money as a result of the charity care recommendations, we propose a special increase in the Medicaid reimbursement rate to cover potential funding shortfall. We also propose an increase in the dollar amount of the Charity Care pool which funds community health centers for the care of the uninsured. This pool is much smaller than the hospital pool, even though health centers report the number of uninsured patients/visits and get paid for the care of the uninsured. The Health Centers/D&TC's provide services for large number of uninsured patients.

Financial Considerations

The Hospital Indigent Care (Charity Care) Pool has $847 million annually for distribution to hospitals. Redistribution will also serve as a powerful incentive for hospitals providing care for the uninsured are paid for providing this care. This is also a way for encouraging hospitals to meet their obligations under Manny's Law, including posting information and informing patients of a sliding fee scale for uninsured patients with family income under 300% of the federal poverty level. Although this is currently a legal requirement, it is not at all clear how many hospitals are actually informing patients about charity care at the time that they arrive for services. If hospitals are motivated to inform patients about available charity care prior to hospitalizations for emergencies, more of the charity care funding would be used for preventive and primary care, which could lead to a reduction in expensive Emergency Room visits and a reduction in overall costs.

Another very important consideration is that in the not too distant future there will be a reduction in federal Disproportionate Share Hospital dollars to pay for newly insured patients under the Affordable Care Act (ACA). Federal DSH dollars will be reduced by $500 million in 2014. Allotment of the remaining dollars will be governed by regulations from the HHS Secretary.

"The methodology will be structured to ensure that states using DSH funding appropriately are able to retain such funding. Specifically, the methodology will:

*apply the largest reductions to states that (i) have the lowest uninsured rates (based on Census data), (ii) have the lowest levels of uncompensated care (excluding bad debts), and (iii) do not target DSH payments to hospitals with high volumes of Medicaid inpatient care…"[1]

If New York State does not make changes in the hospital charity care distribution formula this year, the state stands to lose millions of federal dollars.

<u>50 Organizations Signed On to this Proposal</u>

Adopt-A-Friend
Arab American Family Support Center
Asian & Pacific Islander Coalition on HIV/AID, Inc.
Brooklyn Perinatal Network
Central American Refugee Center
Children's Defense Fund – New York
Christ the Rock International, Inc.
Coalition for Asian American Children & Families
Commission on the Public's Health System
District Council 37, AFSCME
Doctors Council SEIU
Empire Justice Center

[1] *Implementing Federal Health Care Reform: A Roadmap for New York State.* Boozang, Patricia, Dutton, Melinda, Lam, Alice and Bachrach, Deborah. August 2010. New York State Health Foundation.

Federation of County Networks, Inc.
Federation of Protestant Welfare Agencies
Flatbush Caton Vendors
Fort Greene SNAP
Health & Wellness Commission, Bridge Street AWMF Church
Jamaica Neighborhood Center
JMB Nursing Services, PC
Kings County Hospital Community Advisory Board
Kings County/DSSM Community Advisory Board
Long Island Health Access Monitoring Project
Make the Road New York
Medicaid Matters New York
Mental Health Empowerment Project
Metro New York Health Care for All Campaign
Muslim Women's Institute for Research & Development
New York City Chapter of National Action Network
New York Immigration Coalition
New York Lawyers for the Public Interest
New York State Nurses Association
New York State Nurses Association of the Counties of Long Island
New Yorkers for Accessible Health Coverage
People's Budget Coalition on Public Health
Project Hospitality
Queens Hospital Center Community Advisory Board
Resource Center for Accessible Living
SACSS
Save Our Safety Net – Campaign
Southern Tier Independence Center
Staten Island Center for Independent Living
The Bronx Health Link
The Children's Aid Society
Theta Chi Chapter of Chi Eta Phi Society
United Bronx Parents
Women & Children Family Enterprise, Inc.