Will safety net hospitals survive health reform?

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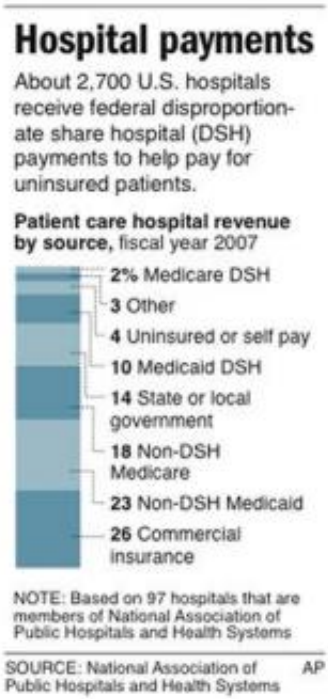

ADVANCE FOR SEPT. 8; graphic shows patient care hospital revenue by source for

(AP) -- Janie Johnson has no health insurance, so when she cut her toe while giving herself a pedicure, she limped to the emergency room at one of Chicago's safety net hospitals and waited her turn.

"I'm 44, but I probably look about 55 right now," Johnson joked in

Stroger Hospital's emergency department where more than 100 patients sat waiting. Urgent cases, from chest pains to gunshot wounds, are rushed to doctors first. Johnson was glad to have somewhere to go for health care.

"I don't know what I would do" without the hospital, she said. "My health would probably get worse."

To all the knotty issues involved in health care overhaul, add one more: The proposals in Congress may threaten the funding and future of the nation's already-struggling safety net hospitals.

It's an irony hospital leaders are expressing quietly as Congress reconvenes this week to take up health care again. Hospital leaders support expanding insurance coverage to more Americans, but they worry financing the expansion will cause some teetering urban hospitals to deteriorate and close.

They point to Massachusetts, the laboratory for health care overhaul, where one safety net hospital, Boston Medical Center, is suing the state claiming it's covering too much of the cost for expanding coverage. Another safety net standby, Cambridge Health Alliance, has closed health centers and cut services; its Somerville Hospital no longer keeps patients overnight.

"It looks like a national plan will be modeled on Massachusetts and it's a disaster for poor people," said Dr. Steffie Woolhandler, Harvard Medical School professor and a doctor at Cambridge Hospital.

"The insurance offered doesn't cover everyone," she said. "It's filled with gaps like copayments and deductibles. Patients can't afford it, so they turn to the public sector and the public sector isn't there anymore."

What worries Woolhandler and others are proposals to finance national reform that would reduce payments gradually to hospitals handling more than their share of uninsured patients. One proposal would reduce these funds - called DSH payments for "disproportionate share hospital" - by $20 billion, in three large annual chunks starting in 2017.

About 2,700 U.S. hospitals receive DSH payments. That's about half the nation's hospitals, according to the American Hospital Association.

A small segment of those hospitals provides most of the nation's charity care to the poor. These institutions, largely supported by reimbursements from Medicaid and other government insurance programs, receive 12 percent of their revenues from DSH payments.

Lawmakers reason that when more Americans have insurance, there will be less need for the payments. Instead, hospitals would get paid by their newly covered patients' insurance plans. A trigger in the House health care legislation would start the cuts only after the nation achieved a significant increase in insurance coverage.

But critics say illegal immigrants, the mentally ill and drug addicts will keep arriving at safety net hospitals without insurance. Illegal immigrants will be ineligible for the expanded coverage proposed by Congress. The mentally ill and addicted will be unlikely to sign up.

"If they start cutting, I'm scared," said Dr. Simon Piller, who cares for patients at a county clinic that's part of the same health system as Stroger Hospital. He describes patients who've lost jobs, are living with friends and ran out of medications for chronic conditions months, or years, ago.

Safety net hospitals will continue to have unusual expenses, such as translation services and security, to deal with. And some newly insured patients won't be able to afford the out-of-pocket copays and

deductibles.

"Copays for us are no-pays," said Dr. Steven Safyer, president and CEO of Montefiore Medical Center in New York City. "Health care reform to me is an issue of humanity. How you can have 47 million uninsured in this country is shocking. But you can't throw the baby out with the bathwater."

DSH cuts are part of a deal the White House reached with the American Hospital Association and two other hospital groups. When the hospitals agreed to cuts totaling $155 billion over 10 years, a group of public hospitals wasn't at the table.

"We were never part of the negotiations and did not sign onto the agreement," said Larry Gage, president of the National Association of Public Hospitals and Health Systems. The group contends DSH payments also help maintain trauma centers, burn units and other community assets that could be threatened.

Nancy-Ann DeParle, who directs the White House health reform office, said there's adequate protection for safety net hospitals in the House bill. The payments would be reduced - gradually and starting only after the rate of uninsured Americans declines - in a way that differs greatly from what happened in Massachusetts, DeParle said.

President Barack Obama supports phasing in DSH reductions over 10 years.

"As people get insurance, there will be less of a need for hospitals to get additional funds," DeParle said. She acknowledged it may be "scary" for hospital administrators to shift from getting these additional payments to a reality where more of their patients have insurance cards.

But hospitals can and must adapt, DeParle said. "We will always need safety net hospitals."

It's unclear how much would be cut. The House legislation calls for cuts of $20 billion, representing 8 percent of what the Congressional Budget Office projects in federal outlays to DSH over 10 years. The White House supports larger cuts.

Many urban hospitals already operate on small margins or at a loss. Chicago's Mount Sinai Hospital had only 1.42 days of cash on hand in August. Its bad debt, the bills left unpaid by patients, was $62.3 million last year. It received $10 million in DSH money last year.

Stroger is a public hospital, subject to cuts from Cook County government. The county's health system is considering laying off nearly 500 workers. Chicago's Stroger Hospital received $42 million last year in DSH.

"This is definitely going to be a change. It's not health care as usual," said Stephen Zuckerman, a health economist in the Urban Institute's Health Policy Center in Washington.

Safety net hospitals may need help raising money to spruce up and modernize to become more competitive with private hospitals, Zuckerman said. But they won't disappear.

"The capacity they provide to the system is going to be needed," Zuckerman said. "I don't think the rest of the system is ready to absorb the patient population the public hospitals now serve."

Lawmakers have wanted to cut DSH payments for years, said Wendy Parmet, health law professor at Boston's Northeastern University School of Law. With rising Medicare and Medicaid costs driving up national

debt, the payments will continue to be a juicy target, she said.

"Hospitals are going to cry that it hurts," Parmet said. "But it's going to happen, whether or not there's health insurance reform."

On the Net:

National Association of Public Hospitals and Health Systems: http://www.naph.org/

American Hospital Association: http://www.aha.org/