

Medicaid expansion may improve financial status of trauma safety net hospitals

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Trauma centers that care for the greatest proportion of uninsured patients stand to gain the most financially from state expansion of the Medicaid program. Findings from the first nationwide examination of the anticipated effect of Medicaid expansion on the financial status of trauma safety net hospitals were reported at the 2016 Clinical Congress of the American College of Surgeons.

Trauma centers care for all patients regardless of their ability to pay—and prior studies have shown that almost 20 percent of patients admitted for [trauma care](#) in the United States lacked health insurance.¹ Given the low reimbursement rates for patients without insurance, [trauma centers](#) are often considered among the most financially vulnerable of U.S. hospitals.

One of the objectives of the Patient Protection and Affordable Care Act (ACA) is to reduce the overall number of uninsured individuals by expanding access to health insurance. Under the law, states may choose to expand their Medicaid programs to low-income residents who lack health coverage. By the end of June 2016, 31 states and the District of Columbia had expanded their Medicaid programs; however, 19 continue to refuse federal funding that would extend Medicaid coverage to low-income residents.²

Recent studies have examined the effects of Medicaid expansion on the total number of uninsured and the financial performance of all hospitals in an individual state or on a few selected hospitals in a small number of

states.³

The present study evaluated the anticipated financial impact of Medicaid expansion on trauma centers that treated the highest number of uninsured trauma patients across the country. "Trauma centers have a high proportion of uninsured patients because they do not turn anyone away for trauma care. We looked at trauma centers that take care of the highest proportion of patients without insurance to determine whether state-level Medicaid expansion benefits the facilities and the patients that are at greatest financial risk," said lead author John W. Scott, MD, MPH, a resident in general surgery and the Henry Ellis Warren Research Fellow for the Center for Surgery and Public Health (CSPH), Brigham and Women's Hospital, Boston.

A research team of surgeons, health economists, and health policy analysts from CSPH obtained information from the National Inpatient Sample (NIS), which is the largest publicly available all-payer inpatient database. It gathers information on approximately 7 million hospital stays each year.⁴

From NIS, the researchers selected data on adults who had been treated for trauma in 2010, the year before ACA policies went into effect. Data were confined to adults with low incomes who were between the ages of 18 and 64, the typical Medicaid patient population. Using NIS cost-to-charge ratios and published payer-specific reimbursement rates, total reimbursements and trauma-related financial margins were calculated based on payer type: private insurance, Medicaid, uninsured, and other.

Facilities were categorized by the percentage of uninsured trauma patients they treated and safety net hospitals were defined as those hospitals that treated the highest quartile. "This information gave us an understanding about the reimbursements hospitals received for the trauma care they provided before passage of the ACA," Dr. Scott said.

With these data, CSPH researchers conducted a simulation that would determine the differences in health coverage and hospital financial performance in states that expanded Medicaid and those that did not. "We don't have the luxury of having years of data to look back upon; we have to conduct the best analysis we can of the available information. We created a post-ACA model that incorporates what we know about the law and about projected Medicaid enrollment estimates in order to determine the number of patients who would be eligible for health coverage and how that would affect finances at the hospital level. The results reflect our estimates of the impact on hospital finances and reimbursement for trauma care specifically due to Medicaid expansion under the ACA," Dr. Scott explained.

According to the simulation model, nearly the same proportion of previously [uninsured patients](#) would gain private [health coverage](#) in Medicaid expansion and non-expansion states, 54 percent and 49 percent respectively, either through health insurance exchanges or through employer sponsored coverage.

However, nearly three times as many patients would gain health insurance through Medicaid in expansion states than in non-expansion states, 31 percent versus 12 percent respectively.

Accordingly, [safety net hospitals](#) would have the greatest absolute gain in financial margin; gains were projected to be up 26.2 percent in Medicaid-expansion states versus 18.9 percent in non-expansion states.

"The facilities we will expect to gain the most from the ACA Medicaid expansion are those that are furthest behind to begin with. The change in reimbursement for trauma care will likely be greatest in states that have made the most effort to expand insurance coverage, namely Medicaid," Dr. Scott said.

More information: 1 Haider AH, et al. Association between Hospitals Caring for a Disproportionately High Percentage of Minority Trauma Patients and Increased Mortality. A Nationwide Analysis of 434 Hospitals. Arch Surg. 2012;134(1):63-70.

2 Searing A. Beyond the reduction in uncompensated care: Medicaid expansion is having a positive impact on safety net hospitals and clinics. Georgetown University Health Policy Institute Center for Children and Families, June 2016. Available at: [ccf.georgetown.edu/wp-content/...linics-June-2016.pdf](http://ccf.georgetown.edu/wp-content/uploads/2016/06/linics-June-2016.pdf). Accessed September 21, 2016.

3 Colorado Hospital Association Center for Health Informatics and Data Analysis: Impact of Medicaid Expansion on Hospitals: Updated for Second Quarter 2014. CHA. Sep 2014. Available at [www.cha.com/Documents/CHA-Stud...dy-Q2-Sept-2014.aspx](http://www.cha.com/Documents/CHA-Study-Quarterly-Report-Second-Quarter-2014.pdf). Accessed September 21, 2016; Kutscher B. Without Medicaid expansion, some hospitals suffer. Modern Healthcare, Aug 16, 2014. Available at: [www.modernhealthcare.com/artic...6/MAGAZINE/308169979](http://www.modernhealthcare.com/article/2014/08/16/modern-healthcare-magazine-308169979). Accessed September 21, 2016.

4 Overview of the National (Nationwide) Inpatient Sample (NIS). Healthcare Cost and Utilization Project. Available at: [Hcup-us.ahrq.gov/nisoverview.jsp](http://hcup-us.ahrq.gov/nisoverview.jsp). Accessed September 21, 2016.

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