

Uncompensated Care Pool

Testimony of
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before the
JOINT COMMITTEE ON HEALTH CARE
Senator Richard Moore, Chairman
Representative Peter Koutoujian, Chairman

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Secretary Preston has said on numerous occasions that no one in the Commonwealth likes the Pool. We have to qualify that assertion by adding “compared with what?” Compared with universal coverage for all Massachusetts residents, the Uncompensated Care Pool is a policy catastrophe. Compared with the situation in most other states where there is no core safety net for those without health insurance, our Uncompensated Care Pool is a critical lifeline for lower income folks whose only offense is working at jobs that don’t provide health insurance or earning enough wages to afford coverage.

For the Committee’s information, we are providing copies of a report just published by The Access Project on the extent of medical debt in Massachusetts. We know that medical debt is the second leading cause of personal bankruptcy in the United States. This report demonstrates that – even with our Uncompensated Care Pool – there are many Massachusetts residents who are struggling with high levels of medical debt and potential personal bankruptcy.

The Pool Is a Vital Component of the Health Care Safety Net

As it stands now, the Pool is critical to the well-being of our health care system. In fiscal year 2003, it helped pay for care for some 390,000 individuals in the Commonwealth – reflecting a 40 percent growth from April, 2002 to June, 2003. The core principle behind the Pool is as relevant now as ever – the decision by a hospital to provide care to an uninsured person should be a financially neutral one. Whether we always adhere to that principal in our structuring and administration of the Pool is a reasonable and fair topic of concern – whether we should continue this effort should not be.

As we look at the Pool, we also know several important facts:

First, the uninsured are not spread equally across the state. Some areas have far more than their share of uninsured residents and many have far less.

Second, some hospitals have special expertise in providing services to lower income populations among whom levels of uninsurance are especially high.

A Tale of Two Hospitals

To give an example of these dynamics, we looked at Massachusetts data for two hospitals in the same community with the same service area. Hospital A provides care to 26.5 percent of the insured population in that service area and to 17.8 percent of the uninsured patients. Hospital B provides care to 35.9 percent of the insured patients and 44 percent of the uninsured patients in that service area.

| | Hospital A | Hospital B |
|--|------------|------------|
| Percent of Region's Insured Patients Served | 26.5% | 35.9% |
| Percent of Region's Uninsured Patients Served | 17.8% | 44.0% |
| Insured minus Uninsured | 8.7% | -8.1% |
| Uninsured as % of each hospital's total discharges | 2.6% | 4.5% |

In providing the Committee with this data, we do not make value judgments regarding the performance of one hospital versus another. We only note that one hospital has a significantly higher burden and that the Pool is the only mechanism in existence to balance the respective contributions of each in addressing this important societal need. This explains why the continuation of the Pool is so important until we achieve universal coverage. By the way, the Pool was created in 1985 with the explicit intent that it serve as a stopgap until the attainment of universal coverage – then expected to occur around 1990 or 1991.

Governor Romney's Proposals (or lack thereof)

The current funding level for the Pool is inadequate and the Administration's proposals for FY05 make the situation much worse.

- The Administration proposes reducing funding for hospitals from the Pool from \$380 million this year to \$300 million in FY05. This is clearly inadequate at a time when demand is skyrocketing due to growing numbers of uninsured.
- The Pool formula enacted this year is a block grant approach under which hospitals are guaranteed the fixed amount of funding – regardless of the amount of care they provide to uninsured individuals. The administration proposes extending this radical break from past practice for another year. We propose a simple policy – the money should follow the patient.
- The Administration's attempt to determine "critical access services" which can be delivered in community health centers instead of acute hospitals is valiant and well-intentioned yet flawed and futile. Secretary Preston has spoken eloquently about all health care being local. In many areas of the Commonwealth, hospitals and health centers are working collaboratively to design efficient methods of serving patients. Health centers vary in their services, hours, accessibility, and capacity. A "one-size-fits-all" regulation will not work. This proposal is creating the prospect of real chaos

for patients and hospitals. It needs to be re-examined by the Legislature and perhaps experimented with initially as a pilot.

Some Proposed Solutions

- First, the Pool generates substantial federal reimbursements that are directed toward the General Fund and the overall state balance sheet. In FY04, the net benefit to the balance sheet from Pool reimbursements will total \$41 million, according to the Administration's own figures. Their plan envisions \$103 million in FY05. We think all that money should be redirected to deal with the financial shortfalls in the Pool.
- Second, we believe there are opportunities to attract significantly higher levels of federal reimbursement connected with the Pool by using mechanisms such as the levy on nursing home beds adopted by the General Court two years ago. This assessment could generate several hundred million dollars in new revenues, and done in a way that would not penalize any hospital. We urge consideration of such a plan.
- Third, we believe the General Court should step in and reinstate the simple principle that Pool money follows the patient, not the hospital. Under the current situation, hospitals providing less care this year than forecast are advantaged relative to hospitals providing more care. We all know that incentives matter, and this incentive is lousy public policy. The longer you wait to fix this egregious error, the more difficult it will become in the future.