

# MEDICARE FUNDING CUTS TARGET ESSENTIAL HOSPITALS



Essential hospitals, by mission, are committed to caring for low-income and other vulnerable patients. Essential hospitals also train the health care workforce; provide comprehensive, coordinated care and specialized, lifesaving services; and advance public health. Patients at essential hospitals generally are sicker and more complex than those at other hospitals, and roughly half are racial or ethnic minorities.

Essential hospitals have evolved to meet the demands of the Affordable Care Act (ACA), an aging population, and other challenges. But ongoing and new funding cuts threaten the gains they have made in quality, cost, and access to care.

**Members of America's Essential Hospitals face more than \$583 million in near-term funding reductions, which jeopardize care they provide to patients and their community.**

Essential hospitals face outright reductions in uncompensated care and Medicare outpatient payments, and losses from indiscriminate performance penalties. Under the heavy weight of these cuts detailed on the right, members of America's Essential Hospitals will struggle to serve their patients and communities.

**Medicare payment reductions threaten the mission of essential hospitals. *Patients and communities are at risk.* Protect Essential Hospitals.**

## ESSENTIAL HOSPITALS FACE UP TO \$583 MILLION IN CUTS IN 2015.

### MEDICARE DSH REDUCTIONS

Medicare disproportionate share hospital (DSH) payments support hospitals that serve large volumes of low-income patients. The ACA cuts DSH payments sharply, assuming a counterbalancing rise in insured patients. But coverage expansion has not occurred as expected in many states.

**\$166 million**

**THE AMOUNT OF MEDICARE DSH MEMBERS OF AMERICA'S ESSENTIAL HOSPITALS WILL LOSE IN FY 2015.**

### PERFORMANCE IMPROVEMENT PENALTIES

Quality incentive program penalties under the ACA disproportionately and unfairly target essential hospitals.

PROGRAM	METRIC	COST TO ESSENTIAL HOSPITALS	YEAR
Value-Based Purchasing	Quality measures and patient satisfaction	\$15.8 million	FY 2015
Hospital Readmissions Reduction	Avoidable inpatient readmissions	\$24.1 million	FY 2015
Hospital-Acquired Conditions Reduction	Hospital-acquired infections and other patient injuries	\$60.2 million	FY 2015
TOTAL		\$100.1 million	

### OUTPATIENT PAYMENT CUTS

CMS has started cutting Medicare outpatient payments. On Jan. 1, the agency began bundling into a single payment all services related to a primary service associated with a medical device, including lab tests, supplies, and other supporting services. This will reduce payments overall.

Policymakers also have discussed paying the same rates for evaluation and management (E&M) and other services provided in hospital outpatient departments as those provided in standalone physician offices. While this might create savings, it would make damaging cuts to support for essential hospitals and ultimately undermine care for low-income beneficiaries.

SOURCE OF CUT	COST TO ESSENTIAL HOSPITALS	YEAR
OPPS rule combining all related services for a primary, device-dependent service into a single payment	\$3.4 million	FY 2015
Proposed reduction to hospital E&M payments	\$313.4 million	FY 2015
TOTAL	\$316.8 million	