

Medicaid cuts leave hospitals strapped

Taxes » Tobacco and hospital levies are seen as potential fixes.

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Utah hospitals say legislators cut too deep when their Medicaid budget was on the operating table, leaving them looking for a fix to avoid having to hike rates for insured patients.

The state may turn to an increase in the tobacco tax or a tax on hospital stays to cover the gap, which comes as the faltering economy has caused a spike of 5,700 enrollees in the Medicaid program and a rise in expenses from uninsured patients.

Hospitals are looking at a total cut of nearly 25 percent beginning July 1 to the amount they are compensated to treat poor patients who qualify for federal Medicaid coverage.

That may force hospitals to try to make ends meet by passing on more of the costs to insured patients.

"Ultimately, what it translates to is just an increased tax on those who are providing insurance for their employees," said Joseph Krella, president of the Utah Hospitals and Health Systems Association.

Gov. Jon Huntsman Jr. said he doesn't anticipate the problem will be resolved in the special session expected later this month.

"We're working with legislative leadership on which one [of several options] would be most attractive, given the circumstances," he said in an interview. "It's a tough call, because there are some very real cuts associated with this particular issue."

But Lincoln Nehring, Medicaid policy director for the Utah Health Policy Project, which advocates affordable health coverage, said it's frustrating to see hospitals coming back to the Legislature now when other areas suffered big cuts.

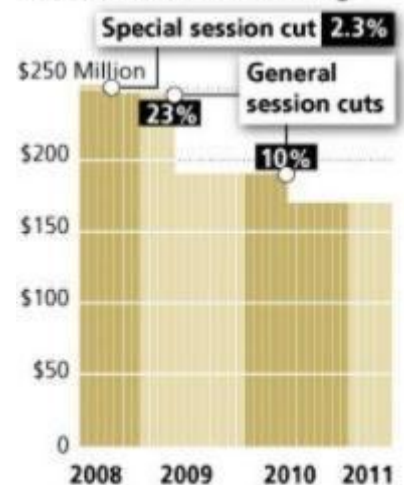
"They want more money, but we all want more money," he said. "Our medical program took some pretty big hits during the session."

Krella said the Medicaid cuts enacted by the Legislature last session were much deeper than hospitals anticipated.

The problem arose because they did not factor in the effects of using a temporary funding stream to soften the blow for 2009. But that money will go away at the start of the next budget year, which begins July 1.

Medicaid inpatient budget decrease

The Legislature cut the Medicaid budget during its September special session and again in the general session earlier this year. Hospitals say the cuts are unsustainable and are asking the Legislature to fix the problem. The figures include both state and federal Medicaid funding.



Source: Utah Department of Health
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A technical change in the payments to hospitals for "nonphysician services" -- things like nursing care or physical therapy -- also unexpectedly impacted hospitals.

Michael Hales, state director of health care financing, said it's always hard for providers to have their rates reduced.

"We realize it puts pressure on our providers; it basically makes it more difficult for them to see Medicaid clients," he said. "But we have to administer the program with the funds that are provided to us and we realize it was a very difficult budget year."

Rep. John Dougall, R-Highland, House chairman of the health budget committee, said nobody should have been blindsided by the cuts.

"It is a little bit of a surprise," he said. "I could understand if we had changed something at the last minute at the last day, but this was what had been available the whole way through the process."

Nehring said that, in a worst-case scenario, hospitals could refuse to treat Medicaid patients.

"Then where do these people turn? That's the big risk. The whole system could just break down," he said. It is more likely, however, that hospitals would make ends meet by charging more to insured patients or scaling back their charity work.

Clark said hospitals have said they need the state to come up with \$7.5 million more -- which will be matched by federal dollars -- to get through the current situation.

Lawmakers may tap the \$8.9 million Medicaid restricted fund for a short-term solution. But ultimately, there will need to be a long-term fix, and that may include tax increases. Huntsman and Clark said either a hike to the cigarette tax or imposing a tax on hospital stays is a possibility.

"There are no agreements, but ... those are two areas I think would be part of any general discussion as we go forward this summer," Clark said. "I'll go a step further, I think they need to be part of the discussion."

Krella said the hospital association would "definitely support the tobacco tax increase. The hospital bed increase is a little bit more difficult."