

HEALTH REFORM

## Hospitals, After Agreeing to Cuts, Push Ahead With a Full Agenda

By ERIC PIANIN and PHIL GALEWITZ

With the Obama administration's help, hospitals are moving aggressively to resolve their biggest objections to legislative proposals to overhaul the health system.

The deal set to be announced today -- an agreement with the White House and Senate Finance Committee on \$155 billion in funding cuts over a decade -- is only the most public part of their intense lobbying effort. For weeks, hospitals have been battling proposals to create a government-run insurance option for consumers, out of fear it would pay hospitals less than private insurance.

The industry also is pressing hard for their other priorities, including additional money for graduate medical education, higher reimbursement rates for Medicaid, a program that's likely to be expanded sharply, and assurances that they won't face a crackdown on rules governing the tax-exempt status of nonprofit hospitals.

On the hottest issue, the public insurance plan, the industry is getting mixed signals. Some say the White House is sympathetic to industry demands that a public plan's fees not be linked to Medicare rates, which the industry says would create financial havoc. Earlier this week, White House Chief of Staff Rahm Emanuel told the Wall Street Journal that one option was to trigger a public plan only under certain circumstances. But President Barack Obama later said in a statement that the administration remains staunchly committed to a strong public plan.

Hospitals and their congressional allies—especially many House Democratic conservatives and moderates known as Blue Dogs and New Democrats -- have depicted a public option as potentially disastrous. "An open-ended public plan alternative would mean bankruptcy, almost immediately, for hospitals and large physician groups," said Steve Brenton, president of the Wisconsin Hospital Association.

He also opposes creating a public plan that would be activated only under certain

circumstances. "You put a bow tie on a pig and it's still a pig," he said, adding that a trigger mechanism isn't needed because Congress can pass a public plan whenever it wants to. "The ultimate trigger is congressional action," he said.

From the White House perspective, defusing hospitals' opposition would be a major boon. But satisfying all their concerns wouldn't be easy, considering that the industry is diverse, with for-profit and non-profit members, large public hospitals, small rural hospitals and academic medical centers. Each sector has its own agenda.

"There is not a one-size-fits-all approach to getting all hospitals on board (for reform)," said Larry Gage, president of the National Association of Public Hospitals and Health Systems.

Hospital concerns encompass several issues:

**MEDICAID:** Any health overhaul legislation is likely to expand Medicaid, the state-federal program for the poor and disabled, to pick up millions of people who are currently uninsured. Hospitals argue that expanding a program that they lose money on could spell financial doom. "Medicaid is such a bad payer, it's a constant challenge for our institutions," said Jim Kaufman, vice president of public policy at the National Association of Children's Hospitals.

**GRADUATE MEDICAL EDUCATION:** Despite congressional proposals to increase federal funding to train more primary care doctors, teaching hospitals and academic medical centers fear overall spending on graduate medical education will fall, affecting training for specialists. "Everything is at risk," said Atul Grover, chief advocacy officer of the Association of American Medical Colleges. The association wants Congress to spend \$12 billion over the next decade to expand residency training slots.

**CHARITY CARE:** Sen. Charles Grassley, R-Iowa., ranking member of the Finance Committee, has been pushing for a requirement that nonprofit hospitals spend at least 5 percent of their revenues on charity care each year, in order to maintain tax-exempt status. Nonprofit hospitals, which make up more than 80 percent of U.S. hospitals, either want to kill or scale back the proposal or have a very broad definition of charity care.

**PAYMENT REFORM:** Some hospitals, particularly the large integrated health systems such as the Mayo Clinic in Rochester, Minn., and Intermountain Health System in Salt Lake City, say the overhaul proposals being debated wouldn't change the Medicare payment system enough to reward high-quality, low-cost providers.

The biggest issue for most hospitals, however, is the public plan. Egged on by unhappy hospitals and doctors in their home districts, Rep. Ron Kind, a leader of the moderate New Democrat Coalition from western Wisconsin, and Rep. Mike Ross, D-Ark., a leader of the conservative Democratic Blue Dog Coalition, have fought against the government-run option.

On June 16, they confronted House Speaker Nancy Pelosi and other leaders, shortly before they released the outlines of their health care reform package.

The leadership had planned to require that hospitals and doctors with Medicare patients participate in the new public plan. To defuse the controversy, they said participation would be strictly voluntary. They also offered to beef up the fee system slightly; hospitals would be paid Medicare levels plus 5 percent.

The next day, a delegation of 17 health care groups from Wisconsin, Iowa, Washington and Utah, converged on the Capitol to complain about the public plan and about Medicare rates, which are below private insurers' rates and, hospitals say, their own costs.

Wisconsin hospital officials say that Medicare, the federal health care program for the elderly, currently reimburses little more than 50 percent of their costs for treating seniors, and that a 5 percent bonus would make little difference.

Karl Ulrich, president and CEO of the Marshfield Clinic, which operates 45 medical centers with 775 physicians throughout the state, testified recently that it would take "Medicare plus 100 percent" to cover his facilities costs.

Brent Miller, federal government relations director of Marshfield, added, "We're picking up more and more of our people's [hospital costs]. Our losses are accumulating. We take all patients regardless of ability to pay, but they fill up slots in our centers that we would like to fill with commercial patients."