



Medicaid and the “Hidden Tax”

WHA strongly urges the State of Wisconsin to maintain the Medicaid (MA) health care safety net by protecting provider reimbursement rates under the program. Please consider the following:

Wisconsin Hospitals Near Bottom Nationally in Medicaid Funding:

There are 123 hospitals in Wisconsin participating in the MA program. **Wisconsin ranks 44th in the nation in MA reimbursement to hospitals, covering only 78 percent of costs.** (See chart #1 attached) Consequently, Wisconsin hospitals lose \$146 million dollars every year treating MA patients, which translates to an average negative 30 percent MA “profit” margin. Failure to fund existing shortfalls in the program could plunge hospitals even closer to the bottom.

Public Underpayment Forces Hospitals to Cost-Shift to Private Sector:

Despite Medicaid under funding, Wisconsin hospitals continue to maintain their safety net. However, **public underpayment forces hospitals to shift costs onto private commercial insurers thus increasing health insurance premiums.** (See chart #2 attached)

According to the Wisconsin Manufacturers & Commerce (WMC): “Government under funding of its health care programs (Medicaid) is essentially a hidden tax that artificially inflates price and forces employers to “pay twice” for health care.”

Medicaid Cuts Undermine Hospitals’ Preparation for Bio-Terrorism:

Medicaid provider cuts would come at a particularly bad time, when hospitals are actively preparing to deal with bio-terrorism and other emergencies. For example, **the state’s hospitals are currently in the process of forming smallpox vaccination teams and developing negative air-pressure quarantine rooms.** These safety measures should be financially strengthened, not weakened, by funding cuts to Medicaid.

Medicaid Cuts Leave Federal Matching Funds on the Table:

State Medicaid expenditures draw down federal matching dollars. **For every Medicaid dollar the state cuts, Wisconsin will lose \$1.50 in federal matching funds, magnifying the impact on the state’s economy and on hospitals’ financial status.** Wisconsin, which already does poorly in receiving its share of federal dollars, must do all it can to retrieve more of our residents’ federal tax dollars. State MA expenditures are an excellent way of accomplishing this goal.

Health Care Safety Net Would be Compromised:

A recession is the worst time to cut health care funding for the unemployed and uninsured. The state may have a fiscal crisis, but there is no justification for balancing the budget on the backs of the state’s most vulnerable citizens. **The current economic environment should compel us to maintain the health care safety.**

Rural Hospitals Vulnerable to Medicaid Cuts:

The Medicaid Outpatient Hospital Program remains in poor condition, despite increased payments included in the 2001-2003 biennial budget. While health care has modernized toward the outpatient setting, the state Medicaid program has not kept pace. This public underpayment threatens the delivery of quality health care in a growing, more cost effective and less restrictive service setting. **The ability of hospitals to expand or even maintain quality outpatient services, especially in medically underserved rural areas of the state, would clearly be jeopardized by cuts in Medicaid payments.**

Urban Hospitals Vulnerable to Medicaid Cuts:

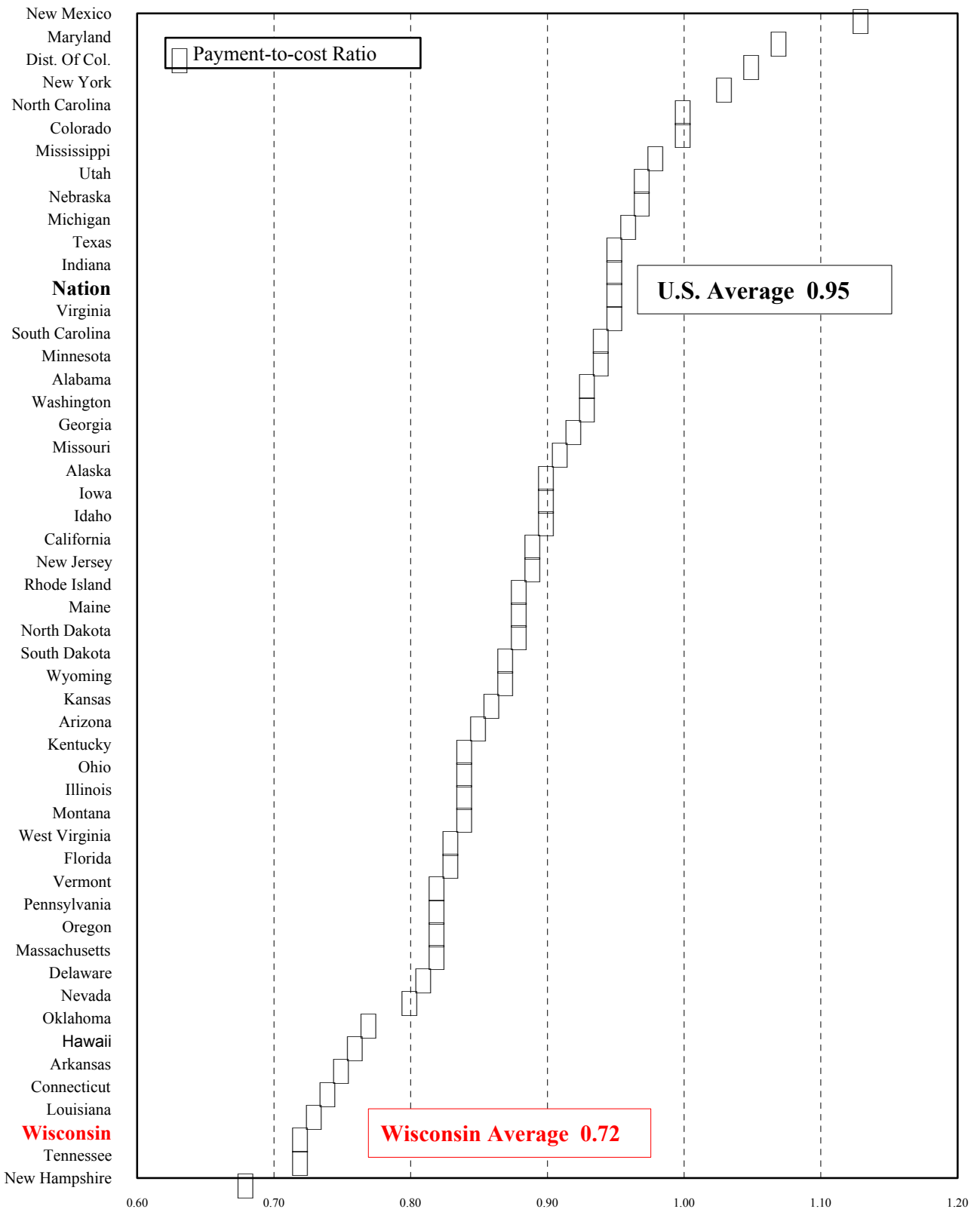
The Medicaid Disproportionate Share Hospital (DSH) Program recognizes the special needs of hospitals that serve large numbers of low-income patients. It helps reimburse hospitals' costs of treating low-income patients, particularly those with complex medical needs, and makes it possible for communities to care for the uninsured and Medicaid beneficiaries. **Drastic cuts in Medicaid would disproportionately impact inner-city hospitals with high Medicaid volumes.**

WHA recognizes the need to strengthen the state Medicaid plan as it affects hospitals in response to an increasingly complex and costly health care environment. The Medicaid payment system must become more efficient and equitable, especially for those Wisconsin hospitals that serve an inordinate number of our poorest residents. Additionally, we need to modernize the program's funding to support the growing outpatient service sector. Treating patients in the least restrictive, least costly environment should be promoted and rewarded by any health insurance payer, public or private.

As health care providers and the state begin to serve the next generation of Medicaid, WHA is committed to working to achieve the appropriate combination of reimbursement and policies that will give all Wisconsinites affordable access to quality health care.

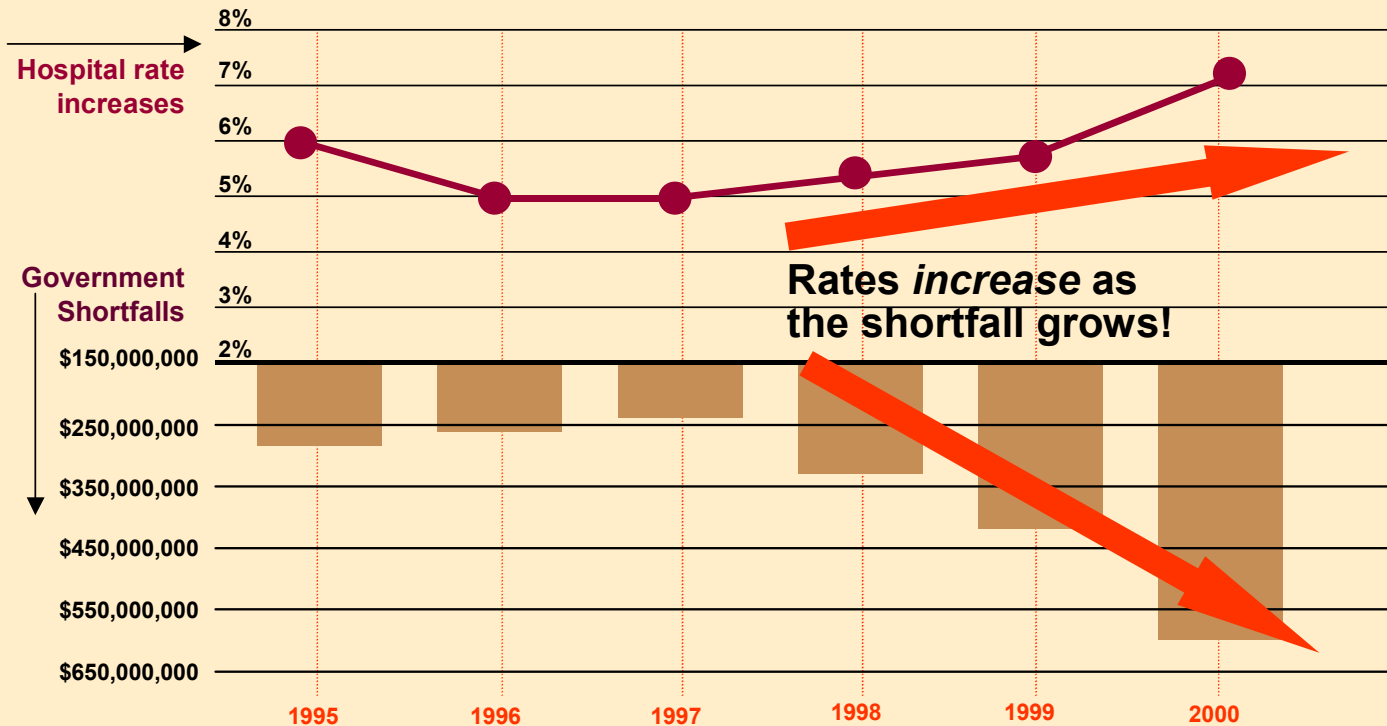
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2000 Aggregate Hospital Payment-to-cost Ratios Medical Assistance Program



A Very Close Relationship

Inadequate Government Payments Mean Higher Hospital Rate Increases



Prepared by: Wisconsin Health and Hospital Association, 2002

Source: Wisconsin Bureau of Health Information; WHA Analysis