

# The Financial State of U.S. Hospitals

## THE ISSUE

**Hospitals cannot help effectively transform the health care system without a predictable revenue stream.** Every time Congress grapples with a budget crisis, hospitals face the potential for additional

cuts and even greater uncertainty. Since 2010, Medicare and Medicaid payments for hospital services have been slashed by more than \$121 billion. Hospitals cannot continue to do more with less.

## AHA POSITION

**Congress must reject further cuts to Medicare and Medicaid funding for hospital services and support real solutions as it looks for ways to reduce spending.**

Specifically, we urge Congress to reject:

- Site-neutral payment policies for hospital outpatient departments
- Reductions to Medicare payments for graduate medical education
- Reductions in payments to hospitals for assistance to low-income Medicare beneficiaries (bad debt)
- Restrictions in Medicaid provider assessments
- Reductions to rural hospital programs, including critical access hospitals
- Changes to the 340B drug pricing program

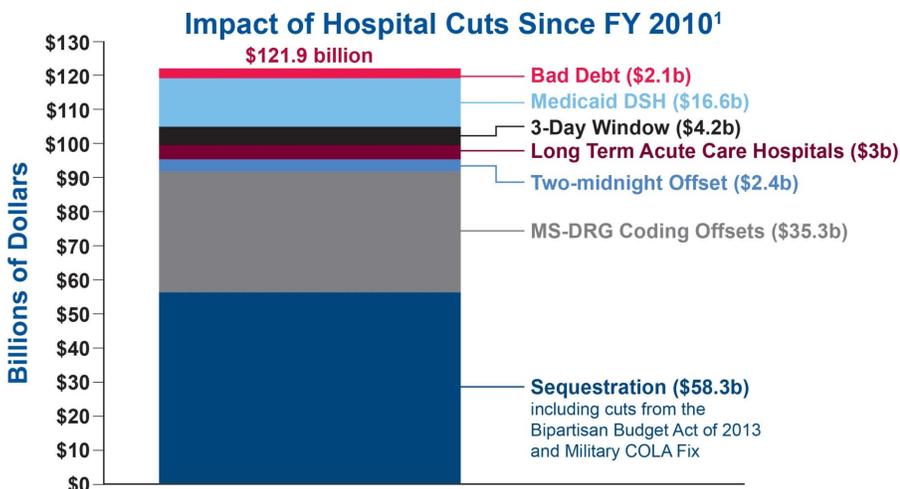
## WHY?

■ In 2013, hospitals provided more than \$46 billion in uncompensated care, for a total of more than \$172 billion in uncompensated care since 2010.

■ Underpayment by Medicare and Medicaid to U.S. hospitals was \$51 billion in 2013:

- Medicare reimbursed 88 cents for every dollar hospitals spent caring for these patients.
- Medicaid reimbursed 90 cents for every dollar hospitals spent caring for these patients.

Since 2010, Medicare and Medicaid payments for hospital services have been slashed by more than \$121.9 billion.



<sup>1</sup>Bad debt included in Middle Class Tax Relief and Job Creation Act of 2012 (MCTRJCA); Medicaid DSH cuts included in MCTRJCA, American Taxpayer Relief Act of 2012 (ATRA), Bipartisan Budget Act of 2013 and Protecting Access to Medicare Act of 2014; 3-day window cut included in Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010; MS-DRG coding cuts included in ATRA as well as CMS regulations (estimate of excess cuts based on hospital analysis); offset for two-midnight policy included in FY 2014 Final IPPS Rule; sequestration amount estimated from CBO Medicare Baseline and AHA projections of Medicare spending. Includes extension in Bipartisan Budget Act of 2013 and Military COLA Fix. Long term acute care hospital payment cut from Bipartisan Budget Act of 2013. Excludes ACA-related reductions.

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## KEY FACTS

- **Overall hospital prices rose by only 0.7 percent from May of 2014 to May of 2015, the Bureau of Labor Statistics reported in July.** In contrast, prescription drug prices grew by 5.5 percent during the same period, according to the Altarum Institute. The continuing slowdown in the growth of hospital prices demonstrates that field realignment is about improving efficiency and convenience, not price hikes. Hospitals are committed to building the continuum of care needed to provide better, safer, more affordable care, and the latest numbers show that their commitment is working.
- **Calls for cuts to payments to hospitals are coming despite the fact that overall Medicare and Medicaid spending growth projections are down.**
  - The Congressional Budget Office (CBO) in January 2015 lowered its combined projections for Medicare and Medicaid spending over the next 10 years by \$179 billion relative to the February 2014 baseline.
  - The Centers for Medicare & Medicaid Services' (CMS) Office of the Actuary in July 2015 projected an average growth rate of 5.8 percent for health care spending from 2014-2024, significantly below historical averages despite coverage expansions, an aging population and faster economic growth.