



## **PRESS STATEMENT**

For Immediate Release

July 8, 2009

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### **N.A.C.H. and NAPH Believe American Hospital Association Deal Represents Positive Step Towards Health Reform but Support House Approach to Safety Net Hospital Payments**

*Statement by Lawrence McAndrews, President and CEO,  
National Association of Children's Hospitals and  
Larry S. Gage, President, National Association of Public Hospitals & Health Systems*

This morning, the American Hospital Association (AHA) and two other national associations (the Federation of American Hospitals and the Catholic Health Association) announced an agreement with the Senate Finance Committee and the Obama Administration to accept approximately \$155 billion in reduced payments to hospitals over the next 10 years, in order to help finance health reform.

While our two organizations, the National Association of Children's Hospitals (N.A.C.H.) and the National Association of Public Hospitals & Health Systems (NAPH), have not yet had an opportunity to analyze the details of this agreement, we believe that we can support most of its provisions. This agreement is likely to be an important step toward achieving Senate passage of health reform legislation.

At the same time, we look forward to working with the Congress to ensure that the implementation of certain provisions outlined in today's announcement do not have an unintended adverse impact on children's hospitals and other safety net hospitals and health systems.

In particular, the agreement proposes to reduce Medicare and Medicaid "Disproportionate Share Hospital" (DSH) payments by \$50 billion over 10 years. Such reductions could severely damage safety net providers if not carefully crafted.

Medicaid DSH payments are intended to help compensate high-volume Medicaid hospitals for inadequate provider payment rates. In many states, such rates are substantially below the cost of providing care to enrollees. Medicaid DSH also provides funding for extra services that are often needed by low income children or adults regardless of whether they are enrolled in Medicaid, CHIP or other health plans. Such individuals often suffer from chronic diseases and other disparities in both access to care and health status – disparities which children's hospitals and other safety net health systems have been working hard for many years to address.

The AHA agreement describes a "trigger" mechanism for Medicaid DSH reductions based solely on decreases in the percentage of uninsured. However, it does not appear to address the need to improve Medicaid provider payment rates or acknowledge the need for alternative funding sources for these other essential services and activities.

N.A.C.H. and NAPH acknowledge that compromise will be required of all industry stakeholders in order to achieve genuine reform. We agree that there could be a somewhat diminished need for DSH payments once coverage is fully phased in for the uninsured. However, reform will be complex, involving the interplay of a number of different programs. For example, expanding Medicaid eligibility – which N.A.C.H. and NAPH support – could increase the need for DSH payments if provider payment rates remain inadequate in many states.

The future need for DSH payments should be assessed as health care reform is implemented. Moreover, if DSH payments are ultimately reduced, it will be important that remaining payments be targeted to those institutions shouldering largest volumes of Medicaid, CHIP and remaining uninsured patients.

For these reasons, while we commend AHA, FHA and CHA for their leadership in advancing health reform in the Senate, N.A.C.H. and NAPH support the DSH approach taken in the three-committee bill under consideration in the House. That bill does not mandate specific DSH cuts as a way to pay for health reform. Rather, it recommends a study by the Secretary of Health and Human Services to determine the ongoing need for DSH payments after reform has been implemented.

Representing a substantial proportion of the essential safety net hospitals, our two organizations remain strongly committed to comprehensive health care reform and universal coverage. We will continue to work with the Congress, the Administration and other stakeholder organizations to achieve that goal in a way that improves the quality of care (and health status) of low income children and adults.

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The National Association of Children's Hospitals (N.A.C.H.) is the public policy affiliate of the National Association of Children's Hospitals and Related Institutions. Representing more than 140 freestanding acute care children's hospitals, freestanding children's rehabilitation and specialty hospitals, and children's hospitals organized within larger medical centers, N.A.C.H. addresses public policy issues affecting children's hospitals' missions of service to the children of their communities, including clinical care, education, research and advocacy.

The National Association of Public Hospitals and Health Systems represents America's safety net hospitals and health systems. These facilities provide high-quality health services for all patients, including the uninsured and underinsured, regardless of ability to pay. They provide many essential community-wide services, such as primary care, trauma care, and neonatal intensive care, and train many of America's doctors, nurses, and other health care providers.