

# HEALTH CARE FOR AMERICA **NOW!**

## Democratic Health Reform Legislation Will Save Millions of Dollars for Hospitals in Pennsylvania's 4th Congressional District

Currently, hospitals in the 4th congressional district of Pennsylvania, a district represented by Congressman Jason Altmire, do not get paid for millions of dollars worth of care they provide to the uninsured. About 9 percent of the district's residents have no health insurance coverage today.<sup>1</sup> That erodes hospitals' profit margins, making it harder for them to operate. The Democratic health reform legislation pending before Congress<sup>2</sup> would change this.

Passage of the Democratic proposal means most people will be insured. It also means millions more dollars in revenue and greater stability for hospitals.

- Hospitals that serve the 4th congressional district of Pennsylvania and report uncompensated care listed \$112.8 million in annual uncompensated care costs in recent years.<sup>3</sup>
  - This level of uncompensated care represents an average of 6.6 percent of net patient service revenue, compared with an average of 5.8 percent for hospitals nationally.<sup>4</sup>
  - The hospitals in recent years had a combined operating margin of 1.7 percent, compared with the national aggregate total hospital margin of 6.9 percent in 2007.<sup>5</sup> (Hospitals in this district that have not reported uncompensated care costs are not included in these figures.)
- **Under the Democratic health reform legislation, the Congressional Budget Office (CBO) projects that when fully implemented the number of uninsured nationwide will fall to between 18 million and 23 million, at least 54 percent lower than the 50 million there would be without health reform.<sup>6</sup> By one estimate, in the 4th congressional district, the number of uninsured is projected to drop from 46,000 to 32,000.<sup>7</sup>**
  - The reduction in uninsured – and the corresponding increase in paying patients – will improve significantly the financial health of hospitals, particularly those serving the greatest share of the uninsured in the 4th congressional district of Pennsylvania.
  - Assuming conservatively that hospitals will get paid for half of the uncompensated care they now provide,<sup>8</sup> **hospitals in the 4th congressional district will get paid \$56.4 million more per year, reducing uncompensated care to 3.3 percent of revenues from 6.6 percent today.<sup>9</sup>**
- Statewide in Pennsylvania, 57.6 percent of residents are covered through employer plans, 5.3 percent through the individual market, 12.1 percent through Medicaid, 15 percent through Medicare and 0.3 percent through other public insurance programs, leaving 9.8 percent of residents uninsured.<sup>10</sup>

Except for coverage of the uninsured, the distribution of insurance coverage is projected to remain largely unchanged under Democratic health reform legislation.<sup>11</sup>

## Democratic Health Reform Legislation Enhances Hospital Stability In Pennsylvania's 4th Congressional District

Under the health reform plan before Congress, the number of uninsured in the 4th District is projected to plunge to as low as 32,000 from 46,000, a 30 percent decline.<sup>12</sup> As a result, a large portion of uncompensated care costs will be eliminated, as shown in Table 1 below. Based on the conservative assumption that hospitals would be paid for 50 percent of current uncompensated care costs, hospitals throughout the district would gain at least \$56.4 million per year from health reform.

**Table 1: Estimated Impact on Hospitals in Pennsylvania's 4th Congressional District From Reduced Uncompensated Care Costs (Under Democratic Health Reform Bill)**

Conservative Estimate of 50 Percent Decline in Uncompensated Care Expenses

Hospital	Net Patient Service Revenue (in millions)	Net Income (in millions)	Uncompensated Care (in millions)	Operating Margin	Reduction in Uncompensated Costs Under H.R. 3962 (in millions)
Allegheny General Hospital+	\$579.2	\$-35.1	\$50.1	-6.1%	\$25.1
Alle-Kiski Medical Center	\$117.8	\$2.3	\$8.8	1.9%	\$4.4
Ellwood City Hospital	\$28.9	\$-4.7	\$0.2	-16.2%	\$0.1
Grove City Medical Center+	\$42.3	\$4.5	\$3.1	10.6%	\$1.5
Sewickley Valley Hospital	\$117.5	\$4.1	\$9.9	3.5%	\$5.0
The Medical Center - Beaver	\$194.7	\$3.6	\$18.3	1.8%	\$9.2
University of Pittsburgh Medical Center - Passavant	\$267.6	\$38.3	\$5.8	14.3%	\$2.9
University of Pittsburgh Medical Center - St. Margaret+	\$214.6	\$10.9	\$9.3	5.1%	\$4.6
Western Pennsylvania Hospital - Forbes Regional+	\$139.3	\$4.5	\$7.2	3.2%	\$3.6
<b>TOTAL</b>	<b>\$1,702.0</b>	<b>\$28.4</b>	<b>\$112.8</b>	<b>1.67%</b>	<b>\$56.4</b>

**Sources:** Center for Medicare & Medicaid Services, Hospital Cost Reports & U.S. House Energy and Commerce Committee District-by-District Analysis of Democratic health reform legislation. See endnotes 2, 6, & 8 for explanations and links to sources.

**Notes:** Nine hospitals with an additional \$369.6 million in annual revenues serve the 4th congressional district of Pennsylvania but did not report figures for uncompensated care. These hospitals are not included in this table.

+These hospitals are outside the district but serve some of its residents.

### Hospitals in the 4th District of Pennsylvania

Allegheny General Hospital+	HealthSouth of Greater Pittsburgh+	Sewickley Valley Hospital
Alle-Kiski Medical Center	HealthSouth of Sewickley	Sharon Regional Health System+
Commonwealth Medical Center	Jameson Memorial Hospital	The Medical Center - Beaver
Ellwood City Hospital	Kindred Hospital at Heritage Valley	University of Pittsburgh Medical
Grove City Medical Center+	Kindred Hospital - Pittsburgh North	Center - Passavant
HealthSouth Harmarville	Shore+	University of Pittsburgh Medical
Rehabilitation Hospital+	Mercy Jeannette Hospital+	Center - St. Margaret+
		Western Pennsylvania Hospital -
		Forbes Regional+

<sup>†</sup>These hospitals are outside the district but serve some of its residents.

<sup>1</sup> U.S. House Energy and Commerce Committee. Accessed at [http://energycommerce.house.gov/index.php?option=com\\_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55](http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55).

<sup>2</sup> H.R. 3590 and a companion reconciliation bill.

<sup>3</sup> Center for Medicare & Medicaid Services, "Hospital Cost Reports," 2006-2008. Accessed at <http://www.cms.hhs.gov/CostReports/CostReportsFY/>. Figures are taken for most recent year for which hospital reported in 2006, 2007, or 2008. Not all hospitals report uncompensated care costs. Only those hospitals reporting uncompensated care costs are included in the figures provided here.

<sup>4</sup> American Hospital Association, "Uncompensated Hospital Care Cost Fact sheet," November 2008. Accessed at <http://www.aha.org/aha/content/2008/pdf/08-uncompensated-care.pdf>.

<sup>5</sup> American Hospital Association, "Trends Affecting Hospital and Health Systems, Appendix 4: Supplementary Data Tables 4.1 - 4.5" 2009. Accessed at <http://www.aha.org/aha/research-and-trends/chartbook/ch4.html>.

<sup>6</sup> Congressional Budget Office, Preliminary Analysis of HR3962, October 29, 2009. Accessed at <http://cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.

<sup>7</sup> U.S. House Energy and Commerce Committee. Accessed at [http://energycommerce.house.gov/index.php?option=com\\_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55](http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55).

<sup>8</sup> Given the projection of a 30% decline in the number of uninsured persons, uncompensated care could decline by even more than the amount cited here.

<sup>9</sup> The following figures are calculated for only those hospitals within the district that report on uncompensated care. Total current uncompensated care costs and reduction after reform would likely be much higher if all hospitals reported these data.

<sup>10</sup> Kaiser Family Foundation, State Health Facts, "Health Insurance Coverage of the Total Population, states (2006-2007), U.S. (2007)." Accessed at <http://statehealthfacts.org/comparebar.jsp?typ=2&ind=125&cat=3&sub=39>.

<sup>11</sup> Congressional Budget Office, Preliminary Analysis of HR3962, October 29, 2009. Accessed at <http://cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.

<sup>12</sup> U.S. House Energy and Commerce Committee. Accessed at [http://energycommerce.house.gov/index.php?option=com\\_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55](http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1802:hr-3962-the-affordable-health-care-for-america-act-district-by-district-impact&catid=169:legislation&Itemid=55).