

HEALTH CARE FOR AMERICA **NOW!**

Democratic Health Reform Legislation Will Save Millions of Dollars for Hospitals in South Dakota

Currently, hospitals in South Dakota, a state represented by Congresswoman Stephanie Herseth Sandlin, do not get paid for millions of dollars worth of care they provide to the uninsured. According to a 2009 survey, about 14 percent of the state's residents have no health insurance coverage today.¹ That erodes hospitals' profit margins, making it harder for them to operate. The Democratic health reform legislation pending before Congress² 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 state of South Dakota and report uncompensated care listed \$70.2 million in annual uncompensated care costs in recent years.³
 - This level of uncompensated care represents an average of 6.7 percent of net patient service revenue, compared with an average of 5.8 percent for hospitals nationally.⁴
 - The hospitals in recent years had a combined operating margin of 15.8 percent, compared with the national aggregate total hospital margin of 6.9 percent in 2007.⁵ (Hospitals in this state 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 fewer than the 50 million without health reform.⁶ In the state, the number of uninsured is projected to drop from 92,000 to 41,000.⁷**
 - 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 South Dakota.
 - Assuming conservatively that hospitals will get paid for half of the uncompensated care they now provide,⁸ **hospitals in South Dakota will receive \$35.1 million more per year, reducing uncompensated care to 3.4 percent of revenues from 6.7 percent today.⁹**
- In South Dakota, according to a 2007 report, 54.3 percent of residents are covered through employer plans, 8.2 percent through the individual market, 10 percent through Medicaid, 14.4 percent through Medicare and 2.2 percent through other public insurance programs, leaving 11 percent of residents uninsured.¹⁰
 - Except for coverage of the uninsured, the distribution of insurance coverage is projected to remain largely unchanged under Democratic health reform legislation.¹¹

Democratic Health Reform Legislation Enhances Hospital Stability In South Dakota

Under the health reform plan before Congress in the House of Representatives (H.R. 3962), the number of uninsured in the South Dakota is projected to plunge to as low as 41,000 from 92,000, a 55 percent decline.¹² 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 \$35.1 million per year from health reform.

**Table 1: Estimated Impact on Hospitals in South Dakota
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 Democratic Bill (in millions)
Avera Heart Hospital of South Dakota	\$67.0	\$16.4	\$0.7	24.5%	\$0.3
Avera Queen of Peace	\$69.9	\$5.2	\$2.8	7.4%	\$1.4
Avera Sacred Heart Hospital	\$75.1	\$12.5	\$4.7	16.7%	\$2.4
Avera St. Luke's	\$117.1	\$9.1	\$5.9	7.8%	\$3.0
Bennett County Hospital	\$4.9	\$0.8	\$0.7	16.5%	\$0.3
Black Hills Surgery Center	\$56.3	\$22.8	\$1.1	40.4%	\$0.6
Brookings Hospital	\$28.1	\$2.5	\$1.0	9.1%	\$0.5
Canton Inwood Memorial Hospital	\$5.9	\$1.0	\$0.1	16.7%	\$0.1
Coteau Des Prairies	\$9.4	\$0.5	\$3.6	5.5%	\$1.8
Dakota Plains Surgical Center	\$11.9	\$4.6	\$0.4	38.9%	\$0.2
Desmet Memorial Hospital	\$2.6	\$0.0	\$0.1	1.2%	\$0.0
Holy Infant Hospital	\$0.5	-\$0.3	\$0.1	-66.4%	\$0.1
Huron Regional Medical Center	\$26.1	\$2.2	\$2.2	8.3%	\$1.1
Lewis and Clark Specialty Hospital	\$7.2	\$2.0	\$0.3	28.1%	\$0.2
Prairie Lakes Health Care Center	\$69.0	\$11.1	\$2.1	16.0%	\$1.0
Rapid City Regional Hospital	\$292.5	\$22.5	\$28.6	7.7%	\$14.3
Same Day Surgery Center	\$9.2	\$3.2	\$0.7	34.6%	\$0.3
Sanford Deuel County Medical Center	\$4.7	\$0.1	\$0.1	1.7%	\$0.1
Sanford Hospital – Vermillion	\$19.5	\$2.3	\$1.0	12.0%	\$0.5
Sioux Falls Surgical Center	\$54.9	\$27.1	\$2.0	49.4%	\$1.0

Siouxland Surgery Center	\$38.2	\$15.8	\$0.8	41.4%	\$0.4
Spearfish Regional Hospital	\$20.9	-\$0.5	\$6.0	-2.3%	\$3.0
Spearfish Surgery Center	\$7.1	\$1.5	\$0.1	21.1%	\$0.1
St. Mary's Healthcare Center	\$43.8	\$2.4	\$4.9	5.4%	\$2.4
TOTAL	\$1,041.8	\$164.8	\$70.2	15.82%	\$35.1

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: 41 hospitals with an additional \$1,053.2 million in annual revenues serve South Dakota but did not report figures for uncompensated care. These hospitals are not included in this table.

Hospitals in the At-Large District of South Dakota		
Avera Gregory Healthcare Center	Eureka Community Health Services	Rapid City Hospital
Avera Hand County Memorial Hospital	Fall River Hospital	Rapid City Regional Hospital
Avera Heart Hospital of South Dakota	Faulkton Area Medical Center	Same Day Surgery Center
Avera McKennan	Five Counties Hospital	Sanford Deuel County Medical Center
Avera Queen of Peace	Flandreau Medical Center	Sanford Hospital – Vermillion
Avera Sacred Heart Hospital	Freeman Medical Center	Sanford Hospital – Webster
Avera St. Benedict Health Center	Gettysburg Medical Center	Sanford Mid Dakota Hospital
Avera St. Luke's	Holy Infant Hospital	Select Specialty Hospital – Sioux Falls
Avera Weskota Memorial Medical Center	Huron Regional Medical Center	Sioux Falls Surgical Center
Bennett County Hospital	Landmann-Jungman Memorial Hospital	Sioux Valley Hospital
Black Hills Surgery Center	Lead-Deadwood Regional Hospital	Siouxland Surgery Center
Bowdle Hospital	Lewis and Clark Specialty Hospital	South Dakota Human Services Center
Brookings Hospital	Madison Community Hospital	Spearfish Regional Hospital
Canton Inwood Memorial Hospital	Marshall County Healthcare Center	Spearfish Surgery Center
Children's Care Hospital	Milbank Area Hospital/Avera Health	St. Mary's Healthcare Center
Community Memorial Hospital – Burke	Mobridge Regional Hospital	St. Michael's Hospital
Community Memorial Hospital – Redfield	Philip Health Services, Inc.	Sturgis Regional Hospital
Coteau Des Prairies	Pine Ridge Hospital	US Public Health Services Hospital – Rosebud
Custer Regional Hospital	Pioneer Memorial Hospital and Health	Wagner Community Memorial Hospital
Dakota Plains Surgical Center	Platte Health Center, Inc.	Winner Regional Healthcare Center
Dells Area Health Center	Prairie Lakes Health Center	
Desmet Memorial Hospital	Public Health Service Hospital – Eagle Butte	
Douglas County Memorial Hospital		

¹ 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.

² H.R. 3590 and a companion reconciliation bill.

³ 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.

⁴ 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>.

⁵ 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>.

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

⁷ 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.

⁸ Given the projection of a 55% decline in the number of uninsured persons, uncompensated care could decline by even more than the amount cited here.

⁹ 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.

¹⁰ 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>.

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

¹² 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.