

HEALTH CARE FOR AMERICA **NOW!**

Democratic Health Reform Legislation Will Save Millions of Dollars for Hospitals in Arizona's 5th Congressional District

Currently, hospitals in the 5th congressional district of Arizona, a district represented by Congressman Harry Mitchell, do not get paid for millions of dollars worth of care they provide to the uninsured. About 15 percent of the district'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 most people will be insured. It also means millions more dollars in revenue and greater stability for hospitals.

- Hospitals that serve the 5th congressional district of Arizona and report uncompensated care listed \$178.7 million in annual uncompensated care costs in recent years.³
 - This level of uncompensated care represents an average of 7.6 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 1.2 percent, compared with the national aggregate total hospital margin of 6.9 percent in 2007.⁵ (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 from a projected 50 million without reform to between 18 million and 23 million, at least a 54 percent decline.⁶ By one estimate, in the 5th congressional district, the number of uninsured is projected to drop to 36,000 from 93,000.⁷**
 - 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 the 5th congressional district of Arizona.
 - Assuming conservatively that hospitals will get paid for half of the uncompensated care they now provide,⁸ **hospitals in the 5th congressional district will get paid \$89.4 million more per year, reducing uncompensated care to 3.8 percent of revenues from 7.6 percent today.⁹**
- Statewide in Arizona, 47.7 percent of residents are covered through employer plans, 4.1 percent through the individual market, 16 percent through Medicaid, 11.6 percent through Medicare and 1.1 percent through other public insurance programs. That leaves 19.6 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 Arizona's 5th Congressional District

Under the health reform plan before Congress, the number of uninsured in the 5th District is projected to plunge as low as 36,000 from 93,000, a 61 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 \$89.4 million per year from health reform.

Table 1: Estimated Impact on Hospitals in Arizona's 5th Congressional District From Reduced Uncompensated Care Costs (Under Democratic Health Reform Bill)

Conservative Estimate of a 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)
Banner Desert Medical Center	\$463.7	\$41.8	\$59.1	9.0%	\$29.6
Chandler Regional Hospital ⁺	\$286.7	\$24.0	\$30.6	8.4%	\$15.3
Mayo Clinic Hospital ⁺	\$638.8	-\$13.0	\$9.6	-2.0%	\$4.8
Mesa General Hospital ⁺	\$48.6	-\$4.6	\$10.1	-9.4%	\$5.1
Mesa Lutheran	\$108.5	-\$1.8	\$14.9	-1.6%	\$7.5
Scottsdale Healthcare Shea	\$387.5	\$5.1	\$21.6	1.3%	\$10.8
Scottsdale Healthcare Thompson Peak	\$37.6	-\$22.4	\$1.8	-59.5%	\$0.9
Scottsdale Healthcare Osborn	\$349.2	-\$0.6	\$30.6	-0.2%	\$15.3
Tempe St. Luke's Hospital	\$16.1	-\$1.0	\$0.4	-6.5%	\$0.2
TOTAL	\$2,336.7	\$27.5	\$178.7	1.2%	\$89.4

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; and Finance Department, Scottsdale Healthcare Osborn Medical Center. See endnotes 2, 6, & 8 for explanations and links to sources.

Notes: Nine hospitals with an additional \$95.9 million in annual revenues serve the 5th congressional district of Arizona 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 5th Congressional District of Arizona

Arizona Orthopedic Surgical Hospital ⁺	Centerre Rehabilitation Hospital of Arizona ⁺	Paradise Valley Psychiatric Services
Arizona State Hospital ⁺	Chandler Regional Hospital	Scottsdale Healthcare Shea
Banner Behavioral Health Hospital – Scottsdale	HealthSouth Scottsdale Rehabilitation Hospital	Scottsdale Healthcare Thompson Peak
Banner Desert Medical Center	Mayo Clinic Hospital ⁺	Scottsdale Healthcare Osborn
Bariatric Care Centers of Arizona	Mesa General Hospital ⁺	Select Specialty Hospital – Arizona
	Mesa Lutheran	Tempe St. Luke’s Hospital

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

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 61% 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.