

How HOSPITALS Are Paid

Hospitals receive payment for their services through programs such as Medicare and Medicaid, through private health insurance, and from patients who self-pay for services. Hospitals also provide a great deal of charity care, meaning services provided to patients with no payment expected.

The current payment system is problematic, creating an unstable landscape that threatens the financial solvency of hospitals and drives up the costs of healthcare for everyone.

Government programs pay less than half of the costs of caring for the people they cover. Hospitals lose 12¢ on every dollar of care they provide to Medicare enrollees. Hospitals lose 36¢ on every dollar of care they provide to Medicaid enrollees, making Connecticut’s Medicaid reimbursement one of the lowest in the nation. Finally, Connecticut hospitals pay a \$556 million annual provider tax to the state.

The present situation is so dire that CHA and hospitals have no choice but to challenge the legality of the provider tax and low reimbursement rates. Hospitals require a minimum 4% operating margin to be able to replace or improve old buildings, keep up with new technologies, and otherwise invest in maintaining and improving their services to meet the rising demand for care.

Medicaid

Medicaid is a voluntary federal/state program (often called Title XIX) that finances healthcare for low income individuals. It is the largest source of funding of health services for America’s poor. Within federal eligibility guidelines, states specify the types of services provided, and then contract with providers (hospitals, doctors, dentists, etc.) to render services.

Connecticut’s Medicaid program (known as “Healthcare for Uninsured Kids and Youth” or “HUSKY Health Connecticut”) is administered by the Department of Social Services (DSS) and provides a basic package of healthcare services to enrollees. Those eligible for Medicaid include:

- **HUSKY A** covers children, their parents, dependent caregivers, and pregnant women.
- **HUSKY B** covers children whose parents earn too much money to qualify for Medicaid.
- **HUSKY C or MED-Connect** covers people with disabilities, low-income seniors who also have Medicaid, and people receiving long-term care.
- **HUSKY D** covers adults who do not have minor children.



MEDICAID LOSSES

\$710.5 MILLION HOSPITALS LOSE 36¢ ON EVERY DOLLAR OF CARE THEY PROVIDE TO MEDICAID ENROLLEES. In 2014 those losses totaled \$710.5 million.

MEDICARE LOSSES

\$471.6 MILLION HOSPITALS LOSE 12¢ ON EVERY DOLLAR OF CARE THEY PROVIDE TO MEDICARE ENROLLEES. In 2014 those losses totaled \$471.6 million.

HOSPITAL TAX

\$438 MILLION Connecticut hospitals must pay \$556 million in taxes to the state, for net negative impact of \$438 million.

\$1.6 Billion

What hospitals don’t have to spend on healthcare each year

Medicare and Medicaid underpayments total nearly **\$1.2 billion each year.** And on top of that, Connecticut hospitals must pay **\$556 million in taxes.**



Medicaid Reimbursement in Connecticut

Federal law requires that states must set the payments at levels sufficient to cover the costs and assure access to the same level of care that is available to the general public. In Connecticut, hospitals are underpaid, as Medicaid reimbursement to healthcare providers does not come close to meeting the costs of providing services. More than 750,000 Connecticut citizens were enrolled in Medicaid at the end of 2015, representing 20 percent of the state's population. On average, hospitals lose 36 cents on every dollar of care provided to Medicaid enrollees -- a total loss of \$710.5 million in 2014.

Medicare

Medicare is a national healthcare insurance program administered by the Centers for Medicare and Medicaid Services (CMS). The federal government sets the eligibility rules and guidelines for the benefits offered.

Medicare covers specific services:

- **Medicare Part A** covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care.
- **Medicare Part B** covers certain doctors' services, outpatient care, medical supplies, and preventive services.
- **Medicare Part C** offers private health plans that provide enrollees with Part A and Part B benefits.
- **Medicare Part D** adds prescription drug coverage.

Approximately 630,333 citizens were enrolled in Medicare in 2015, representing 18 percent of Connecticut's population. Hospitals are reimbursed 88 percent of the cost of care treating Medicare patients. Hospitals lose 12 cents on every dollar of care provided to Medicare enrollees -- a total of \$471.6 million in 2014.

Charity Care

Charity care is provided by hospitals to low income patients who have no insurance and cannot afford to pay for the services provided. Hospitals typically determine a patient's inability to pay by examining

a variety of factors, including income sources and assets. In 2014, Connecticut hospitals provided charity care totaling \$126 million.

Commercial/Private Insurance

Commercial/private health insurance may be sold individually (generally obtained from a private insurance agent/broker or on the state's insurance exchange) or as part of a group plan (generally obtained from an employer). Medical benefits, including deductibles, the amount of out-of-pocket costs, coverage limits, and provider networks are determined by the policy. Types of commercial/private insurance include: Health Maintenance Organizations (HMOs), Indemnity Managed Care and self-insurance.

In 2015, just over 40% of the people treated in Connecticut hospitals were covered by commercial/private insurance. The rest were covered by a government program, self-paid, or were treated as charity care.

Other Government Insurance

Tricare, formerly known as the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), is a healthcare program of the United States Department of Defense Military Health System. Tricare provides civilian health benefits for U.S Armed Forces military personnel, military retirees, and their dependents, including some members of the Reserves.

Self-Pay Patients

Self-paying patients, those patients who have no insurance, choose to pay providers directly for their healthcare treatment rather than using private or government provided health insurance.

How Legislators Can Help

- Fund Medicaid at a level sufficient to cover the costs of care.
- Repeal the hospital tax or phase it out over a period of years.

For additional information, please contact CHA Government Relations at (203) 294-7310.