

Hospitals and the Uninsured

Straining the Safety Net

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The promise of hospitals to the uninsured: Our open doors will never close on you. The small-print caveat: As long as there's life in our hospitals. The safety net that is North Carolina's hospitals is straining under the weight of rapidly rising numbers of the uninsured, the climbing demands of—and shrinking reimbursements for—Medicare and Medicaid patients, and the cost-cutting of managed care. Additionally, hospitals today face higher costs for drugs, technology, blood, insurance, and labor. Hospitals are further stretched when other providers either cannot or elect not to continue services. Hospitals are their safety net also.

The Problem

The well-documented rise in the numbers of the uninsured and the cost of services to these patients are the largest factors in revenue shortfalls for hospitals. According to a 2001 reimbursement study by Deloitte & Touche, costs borne by North Carolina's hospitals for the treatment for the uninsured will rise to \$1.345 billion in 2002 from \$1.034 billion in 1998. This constitutes almost three-quarters of the \$1.828 billion reimbursement gap facing North Carolina hospitals. The cost of caring for the uninsured makes the \$273 million shortfall in revenues mandated by the Balance Budget Act of 1997 and its subsequent token revisions pale by painful comparison. Further, the less-anticipated gulf between the cost of hospital care for Medicaid patients and reimbursement by state, federal, and county sources is expected to be \$250 million in the coming fiscal year.

After two years of decline, the numbers of uninsured began rising in 1999, climbing six percent to over 1.2 million that year. Now at almost 17 percent of the state's population,

the uninsured are demanding more healthcare. Deloitte & Touche predicted last year that the cost of care for North Carolina's uninsured population will rise 36% during the five-period ending in 2002, reaching a total of \$1.825 billion. Total payments from the uninsured to offset this demand are expected to be less than \$300 million.

Virtually every factor in the health cost/reimbursement equation increases the number of uninsured—sometimes illogically. As insurance costs climb, more people become uninsured. As government payers reduce reimbursements to hospitals for Medicare and Medicaid beneficiaries, more people become uninsured. As the Medicaid roll has lengthened, oddly, so has that of the uninsured.

Deloitte & Touche forecast that for every one percent rise in the cost of health insurance, 5,400 additional North Carolinians will be without insurance. As insurance rates climb, more small employers either pass costs onto employees who are often unable to remain in the partially sponsored program or drop insurance coverage for all employees. North Carolina has one of the nation's higher percentages of small employers.

As government reduces payments to healthcare providers, the number of uninsured grows. If the shortfall in Medicare payments were to be offset by a 4.5% premium hike to commercially insured patients, another 24,200 people would be left without insurance. Boosting insurance premiums further, to 9.6%, to cover the funding shortfalls in both government programs would create 52,000 uninsured this year, and that figure would climb to 67,609 in 2003.

Even Medicaid, the government program aimed at providing coverage for those most disadvantaged, does not seem able to reverse the rising uninsured trend. According to state statistics, the number of persons eligible for Medicaid

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was about 600,000 in 1990 while the number of the uninsured was already approaching one million. By 2000, the number of Medicaid eligibles had climbed to 1.2 million. Not only had this rise in government beneficiaries not reduced the roll of the uninsured, the number of North Carolinians without health insurance had risen to rival that of the Medicaid-eligible.

The Mission

Many talk about the challenge of providing coverage for the uninsured. The schemes abound; the funding seems non-existent. Meanwhile, it is hospitals that are putting dollars on the table to cover the uncovered. In doing so, hospitals are creating ways to serve all patients more efficiently.

For many uninsured, hospital emergency departments are their only access to the healthcare system. The rising numbers of uninsured, the increases in Medicare and Medicaid populations, and the growth of technology in emergency medicine have pushed demand for emergency department services upward rapidly. Many patients who visit emergency departments have non-emergent needs. Hospitals have responded by creating fast-track services which speed service to those less critically ill and also help conserve hospital resources for use in serving more patients.

Similar advances have been made in the development of free clinics. Often hospitals in conjunction with our physician partners provide the uninsured or under-insured with access to clinic care. Many hospital community outreach programs aim to help people avoid illness or to get affordable access to healthcare.

When other healthcare providers face challenges that force them to reduce access, hospitals step forward to serve. During Hurricane Floyd, hospitals took in patients when other treatment sites closed. As nursing homes tightened admission criteria in the wake of federal reimbursement cuts, hospitals kept patients longer because there were no suitable discharge options.

Protecting patients and communities: that is the mission of North Carolina hospitals. Our institutions will continue our mission as long as there is margin to support it and beyond.