



Rx: Health Care FYI #21

Subject: *Reducing the Costs of Uncompensated Care*
From: *Rep. Tim Murphy (PA-18)*

The problem: While low-income individuals have access to Medicaid and the elderly and disabled have access to Medicare, uninsured and underinsured families often rely on expensive care in emergency departments. Federal law mandates care must be provided to anyone coming to an emergency department. The costs to provide uncompensated care to the uninsured are passed down to all taxpayers and consumers of health care. Providers also raise rates for certain services or discontinue unprofitable programs in order to recoup these losses.

Definition of Uncompensated care:

- Uncompensated care includes health care services provided to the uninsured for which the patient and/or the payer either was not billed or failed to pay.

Uncompensated care costs money:

- Of the \$41 billion in spending on uncompensated care annually, \$35 billion or as much as 85 percent is reimbursed by the federal, state, and local government.¹
- The average cost of an outpatient emergency department visit, which includes treatment, supplies and labor is approximately \$295 for nontrauma and \$412 for trauma services.²

Providing treatment for the uninsured at Community Health Centers saves money:

- The average annual cost per patient visit at Community Health Centers for primary and preventive services is \$109.³
- The current 3,740 Community Health Centers save Medicaid at least 30 percent and \$3 billion in state/federal spending (1.2 billion for the states) in reduced hospital admissions and specialty care referrals.⁴

¹ Kaiser Commission on Medicaid and the Uninsured. The Cost of Care for the Uninsured: What Do We Spend & Who Pays? May 2004.

² Bamezai, Anil. The Cost of an Emergency Department Visit and Its Relationship to Emergency Department Volume. Annals of Emergency Medicine. May 2005.

³ National Association of Community Health Centers. Based on Bureau of Primary Health Care, HRSA, DHHS, 2005 Uniform Data System. State statistics can be found at www.bphc.hrsa.gov/uds/data.htm.

- Increased usage of Community Health Centers reduces non-urgent emergency department care and could save over \$6 billion.⁴ These savings will increase with the expansion of new Community Health Center sites.

The Federal Government's Role:

- Congress established the Medicaid Disproportionate Share Hospital (DSH) program to help ensure that states provide and receive financial support to hospitals that serve low income patients with special needs and the uninsured. In 2002, the federal government provided \$9 billion in matching funds for state Medicaid DSH programs and \$6.2 billion in direct DSH payments through Medicare.⁵

Recommendations:

- Increase the number of Community Health Centers to provide a high quality alternative to costly emergency room care for the uninsured and underinsured.
- Use Community Health Centers to expand patient education on preventive and primary care to prevent symptoms from developing into chronic conditions.
- Support Medicaid waivers to issue insurance cards to the uninsured for treatment at Community Health Centers.
- Pass H.R. 1313, The Community Health Center Volunteer Physician Protection Act to increase the availability of health care services at Community Health Centers to increase alternatives to emergency department care.

⁴ Proser, Michelle. Quality and Cost Effective Care at Community Health Centers. National Association of Community Health Centers. Presentation to the National Conference of State Legislatures. February 2004.

⁵ Medicare DSH data are from the Centers for Medicare and Medicaid Services, "Hospital Cost Report: CMS-2552-96," U.S. Department of Health and Human Services; accessed August 6, 2004, at www.cms.hhs.gov/data/download/hcris_hospital/default.asp. Medicaid DSH data are from the Centers for Medicare and Medicaid Services, "Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program: CMS-64," U.S. Department of Health and Human Services; accessed June 15, 2004, at www.cms.hhs.gov/medicaid/mbes/ofs-64.asp.