MEDICARE AND MEDICAID CUTS TO HOSPITALS THREATEN THE SURVIVAL OF BURN CENTERS

The Economic Survival of Burn Centers: Burn injuries require very specialized and expensive treatment. At present, there are 128 burn centers in the United States consisting of 1,865 burn beds. Over the last decade there has been a decline in the number of burn centers in the United States, a situation of grave concern, especially in the event of a mass casualty disaster that could easily overcome existing capacity to treat severely burned patients. Burn care is extremely expensive to provide and many burn patients are uninsured. Even where coverage exists, reimbursement often covers but a fraction of the cost of providing such treatment. Several programs such as Medicare Payments for Bad Debts, Indirect Medical Education (“IME), Graduate Medical Education (“GME”), and Medicare and Medicaid Disproportionate Share (“DSH”) Allotments, among others enable hospitals to support their burn centers.

The ABA Opposes Further Medicare and Medicaid Cuts Targeted at Hospitals: The Affordable Care Act cut Medicare by $248 billion and Medicaid by $72 billion over ten years. President Obama proposed an additional $320 billion in Medicare and Medicaid cuts in September, 2011, and the Super Committee’s failure to come to an agreement on a deficit reduction plan will now result in an across-the-board sequester cutting 2% from Medicare. In addition, Congress will be considering further Medicare cuts to pay for expiring provisions such as the so-called “doc fix.”

The ABA is concerned that cuts to hospitals contained in the House-passed Middle Class Tax Relief and job Creation Act of 2011 could be considered in upcoming conference negotiations to offset the cost of the doc fix and other provisions expiring on February 29, 2012. These provisions include the following that could have a serious impact on burn centers:

Reduction in Medicare Support for Providers for Patients Bad Debt: The House-passed bill will cut payments to hospitals and other providers by reducing the current 70% reimbursement for Medicare bad debt to 55% over three years beginning in 2013. Because burn centers provide a disproportionate amount of uncompensated care, this provision, which cuts Medicare reimbursement by $6.8 billion, is of great concern to the ABA.

Reductions to Medicaid DSH Payments: The House-passed bill would rebase Medicaid DSH Allotments beginning in 2021 and reduce nationwide spending by $4.1 billion. A significant number of burn patients are treated in DSH hospitals and this provision would create further financial pressures on the continuation of burn centers at such institutions. Such cuts could further disrupt providers’ ability to care for their most vulnerable patients, and when coupled with the over $14 billion reduction in Medicaid DSH payments contained in the Affordable Care Act, jeopardize the very existence of high quality burn care.

Reductions to Medicare DSH Payments: DSH funds are used to mitigate uncompensated care losses and support safety net providers. The Affordable Care Act, in addition to Medicaid DSH payments, also reduces Medicare DSH payments by $22 billion. The ABA believes that Congress and the Administration should refrain from further cuts in this area and delay existing cuts until it is determined that coverage expansions have met projected levels.

Medicare Update Reductions: The Affordable Care Act reduced Medicare Update payments by over $156 billion over ten years. While the ABA believes that this level of cuts places significant strain on providers that could impact burn centers and urges Congress to revisit such update reductions if projected coverage increases are not achieved or the reductions otherwise threaten the survival of burn centers.

Medicare Graduate Medical Education and Indirect Medical Education: Because burn care is so complex, burn centers are frequently located at teaching hospitals and academic medical centers that are supported by GME and IME. These teaching hospitals are able to furnish a very high percentage of the amount of uncompensated care in the United States because of programs such as GME and IME. Proposals further cutting these programs will have a serious impact on the continued viability of burn centers.

Summary: Congress needs to consider carefully the impact of further Medicare or Medicaid cuts on the ability of hospitals to serve the most vulnerable patients and to provide essential services such as burn care to those in need.