

MASSACHUSETTS PAYMENT REFORM:

Support for Societal Needs

Executive Summary

PAYMENT REFORM: SUPPORT FOR SOCIETAL NEEDS

A vital but often underappreciated role of hospitals and healthcare systems is to maintain and enhance the general welfare of the residents they serve by fulfilling key societal needs that benefit the entire community.

Some needs are part of hospitals' core care-giving mission, but require special focus on patient populations that society as a whole has a responsibility to support. Others go significantly beyond hospitals' primary responsibility of providing direct medical care to patients, but are needs that hospitals are uniquely well-positioned to address.

The definition of "societal needs" is an expansive one and covers a multitude of services, which all share some common features – including the fact they are often taken for granted by the public and policymakers because they may be less visible, little understood, or assumed to be permanent features of the healthcare environment.

These essential societal needs cannot be ignored. And the hospital community has serious concerns about how current proposed changes in the healthcare payment system will affect hospitals' ability to meet these crucial needs.

As we revamp the payment and delivery system we must pay particular attention to hospitals' special role in: providing care to low-income patients; serving as round-the-clock providers of emergency care; educating new generations of physicians, nurses and allied medical professionals; driving the state's robust research sector; and caring for patients with special requirements such as significant behavioral and chronic rehabilitative needs.

By highlighting and explaining these issues, we hope to encourage timely dialogue and collective, collaborative work on how societal needs can be addressed within payment reform in Massachusetts.

We examine five societal needs fulfilled by hospitals and health systems that represent a wider range of societal needs, the importance of these efforts to the community and economy, and the potential impact of a global payment system on hospitals' ability to continue to meet these needs.

The societal needs include:

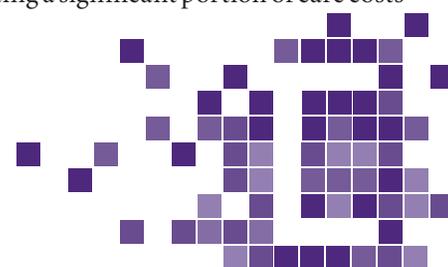
» **A safety-net for low income patients:** An adequate supplemental payment mechanism for providers will be needed to address unpaid care for low-income uninsured and underinsured patients, as well as bad debt. Currently these costs are partially addressed by the state's Health Safety Net program. Similarly the MassHealth program covers more than one million low income state residents. Since MassHealth does not pay the full cost of hospital services provided to MassHealth patients even though hospitals are required to participate in the program, either the state will have to pay more for the cost of providing care or an alternative financing approach will be necessary. Financial support for low-income patients will be critically important for those providers that treat a disproportionate share of these patients.

In the current market, many hospitals attempt to cover these expenses by cost-shifting a significant portion of care costs

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to private payers. Otherwise, unfunded expenses would result in reductions in workforce and services, and deteriorating plant equipment and systems. It is important to note that not all hospitals currently have the means to make up this difference and special considerations are often needed for hospitals that serve a disproportionate share of these patients. Under a global payment system, government underpayments and uncompensated care provided to low-income uninsured will have to be addressed. Also, the unique needs and circumstances of this very diverse, medically complex and changing patient population must be carefully considered if payment reform is to succeed.

>> Essential hospital operations in each community around the clock:

The provision of healthcare services must be guaranteed for every community 24-hours a day, seven days a week, 365 days a year including disaster readiness and response. Hospitals build in the cost of standby capacity for round-the-clock operation of key clinical services and availability of personnel into their current cost base; but as payment reform takes hold, hospitals' continuous readiness capability may be threatened as utilization and revenue fall and economies of scale falter. The Commonwealth's health payment reform effort must give consideration to this issue and incorporate plans to support essential standby hospital capacity under these likely scenarios.

>> Medical education capacity for physicians, nurses and allied medical professionals:

Our supply of nurses and physicians is aging and replacement is critical to maintain healthcare access and quality. Professional medical personnel shortages are a fact our nation and Commonwealth must face, and Massachusetts hospitals play a significant role in training those personnel. Some of our current payment systems include "pass throughs" and "adjustments" to help cover the costs of training, but under global payment, support for this medical education is uncertain. Policymakers must ensure the preservation of the important roles that teaching hospitals have in educating physicians and other health professionals, providing an environment for clinical research and continuing to provide highly sophisticated patient care services.

>> A robust research capacity for the continued development of improved treatments for disease and injury:

Massachusetts teaching hospitals form the nucleus of a vital and thriving medical research complex that has spawned many advances in medical care and both directly and indirectly supports the Commonwealth's biotechnology industry. Care must be taken that health care payment reform does not kill this "golden goose."

>> Caring for patients with significant behavioral health and chronic rehabilitative needs:

In addition to the discussion of the societal needs listed above, special attention needs to be given to patients who receive services in a specialized unit of a general hospital or in a specialty hospital. Such services include but are not limited to behavioral health; care for the severely disabled; ventilator-dependent care; burn treatment; specialized acute care for pediatric and vision, among others; and care for patients who need acute long-term care and rehabilitation services. Patients who require these services are particularly vulnerable and are often marginalized; the services provided to them are often not covered to the extent needed in terms of allowed benefits or payment adequacy. This paper examines behavioral health and post-acute services as examples of care that must be given careful consideration to ensure that payment reform efforts do not undermine care for special needs populations.

Any payment reform effort should be sure to include adequate and appropriate support for the Commonwealth's hospitals and health systems to continue to provide these important contributions to the public good.

