

An Overview of The Health Care Safety Net

Peter Cunningham
National Health Policy Forum
May 18, 2012

What is the Health Care Safety Net?

“Those providers that organize and deliver a significant level of health care and other related services to uninsured, Medicaid, and other vulnerable patients.” (Institute of Medicine)

Who Are The Major Safety Net Providers?

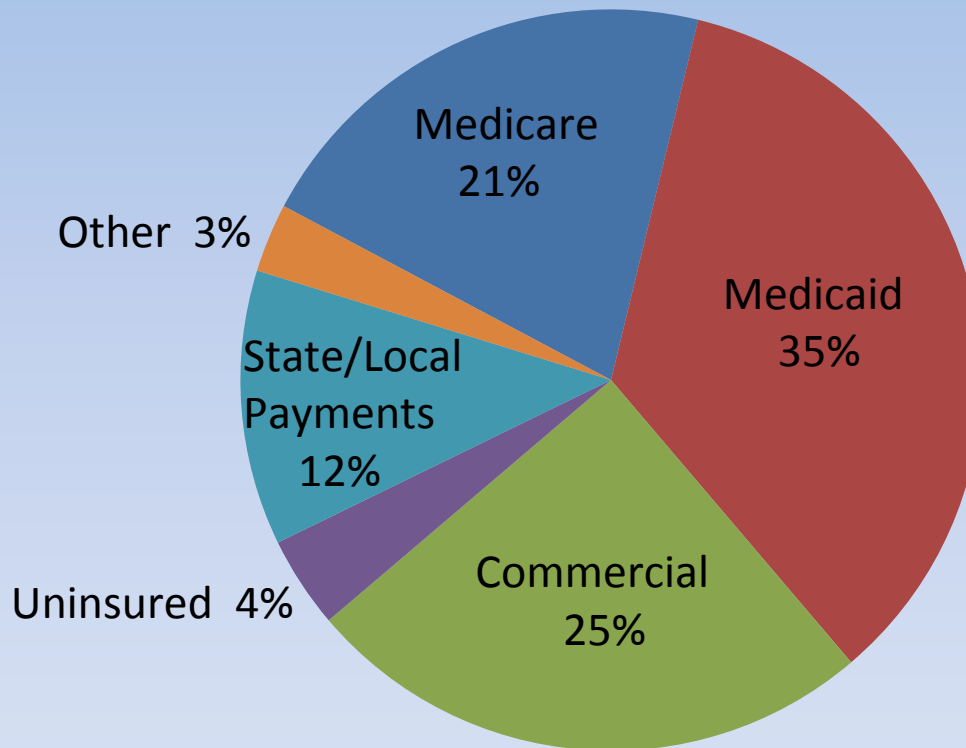
- Public hospitals
- Academic medical centers
- Not-for-profit hospitals
- Federally Qualified Health Centers
- Rural Health Clinics
- Free clinics
- Local health department clinics

Who Uses the Safety Net?

- People in medically underserved areas
 - Rural areas
 - Low income urban areas
- Medically underserved people (FQHC patients)
 - 72% below poverty
 - 38% uninsured
 - 39% Medicaid
 - 26% African American; 34% Hispanic

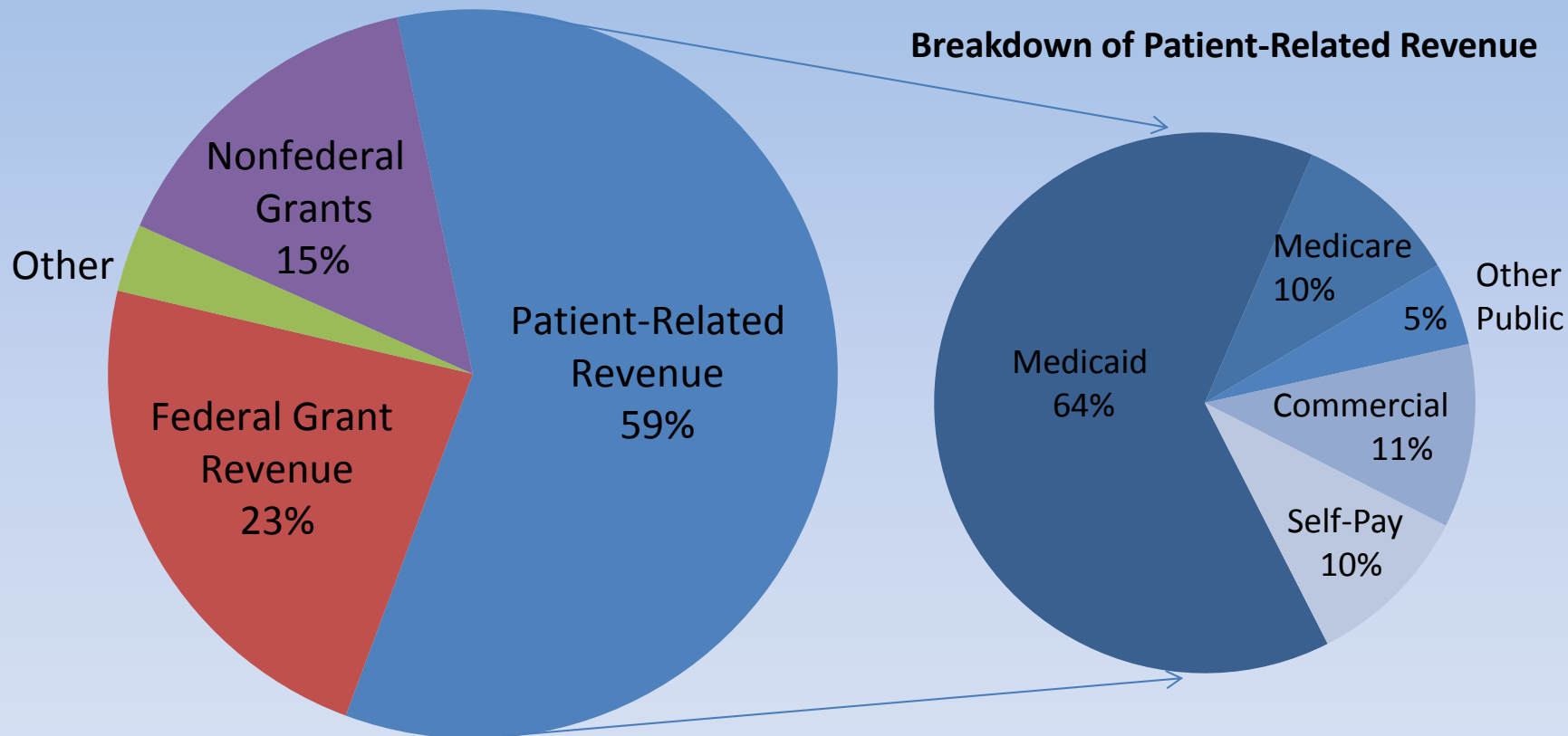
Who Pays for the Safety Net?

Public Hospital Revenue



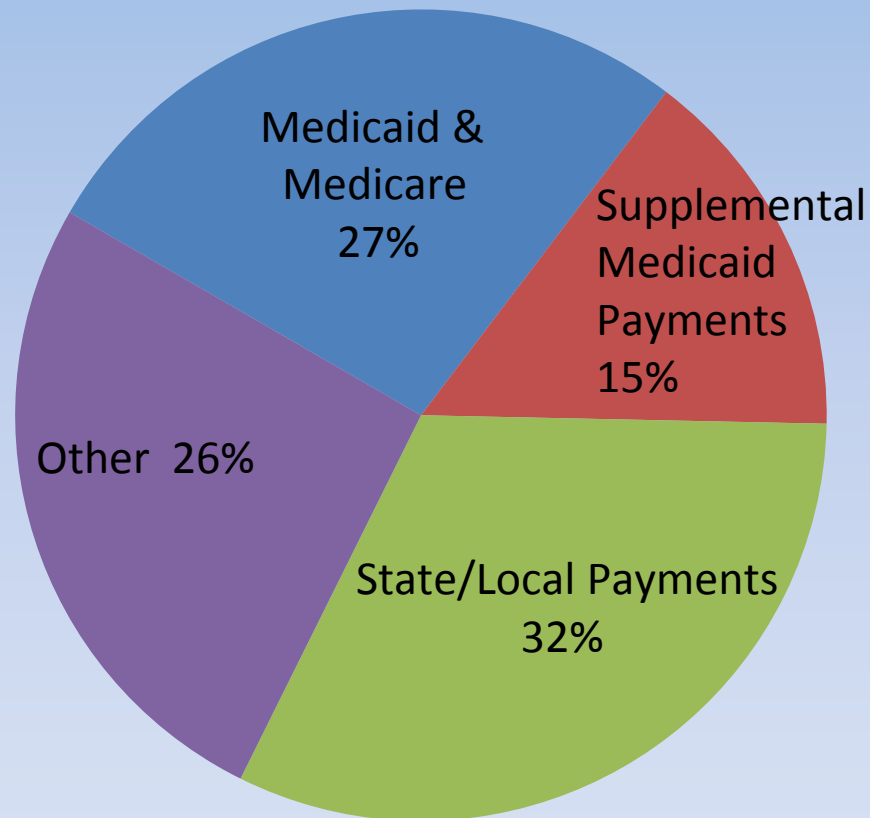
Who Pays for the Safety Net?

FQHC Revenue



Who Pays for Uncompensated Care?

Public Hospitals



Trends in Utilization of the Safety Net: 2000-2010

- FQHCs
 - Patients increase 100%
 - Medical visits increase 90%
 - Mental health visits increase 400%
 - Dental visits increase 200%

- Public hospitals
 - Outpatient visits increase 30%
 - Inpatient admissions increase 21%

FQHC Capacity Expands in Past Decade

- Bush Administration 2001-2009
 - Direct federal funding increases almost 200%
 - Number of Federally Qualified Health Centers increases from 700 to 1,200 (8,100 sites)
- ARRA 2009, 2010
 - \$2 billion in funding for capital expenditures, capacity expansions
- PPACA, 2011-2015
 - \$11 billion Health Center Trust Fund
 - \$1.5 billion to expand National Health Service Corps

Pressures on the Safety Net

- Increased demand
 - Growing numbers of uninsured, Medicaid
 - Private providers less likely to accept uninsured, Medicaid
- Decreased support from state, local, and private sources
- Increases in the cost of providing care
- Increased competition from other providers

Responses by Safety Net Providers

- Expand capacity to meet higher demand
- Become more efficient, modernize and streamline operations
- More cooperation and collaboration with other providers in the community
- Achieve better payer mix (i.e. more privately insured patients).
- Promote “competitive” advantages

The Affordable Care Act: Do We Still Need a Safety Net?

- Not all uninsured will be covered
- Extent and pace of enrollment in coverage expansions is uncertain
- Increased demand likely to result in severely strained system capacity
- Many newly insured likely to continue using safety net providers

Impact of the ACA on the Safety Net

- Coverage expansions to decrease uncompensated care
- But Medicaid/Medicare DSH payments to be reduced by \$18 billion
- \$11 billion in additional funding for FQHCs
- Requirement that exchange plans contract with “essential community providers”
- Reform of payment and delivery system

Reforming Payment, Delivery System

- Safety net providers eligible to sponsor ACOs
- CMMI – Advanced Primary Care Practice Demonstration for FQHCs
- Medicaid health homes
- Medicaid bundled payment or global capitated payment demonstrations
- Co-location of physical and behavioral health services

Going Forward, Issues to Watch

- Will increased demand overwhelm delivery system?
- Will revenues from newly insured be enough to offset loss of Medicaid DSH funding?
- Will local, state, and private support for the safety net continue?
- Will remaining uninsured be able to get services?
- Will safety net providers be able to thrive with new models of care delivery and payment?