

Hospital group says Medicaid cuts could mean increased premiums

By MICHELLE SAXTON

Associated Press Writer

CHARLESTON, W.Va. (AP) -- Patients covered by private insurers could see higher health insurance premiums if proposed cuts to the state's Medicaid program are approved, the West Virginia Hospital Association's president said.

"It will create an enormous cost shift to the private sector," said Steven Summer.

The state Department of Health and Human Resources is considering several proposals to cut \$115.7 million out of Medicaid, which faces a \$156 million deficit. The state is expected to lose about \$36 million during the next budget year because the federal match rate will drop about 1.6 percent.

The proposed cuts include a reduction in disproportionate share payments to private hospitals by 50 percent over the mandatory federal minimum of \$8.62 million, providing an expected savings of \$22.12 million. Due to a federal 3-1 match, the state's share of that proposed cut would be \$5.97 million.

The state provides such payments to hospitals that see a disproportionately large number of uninsured or Medicaid patients, Summer said.

If those payments are cut, hospitals would have to request rate increases to make up the gap, which could lead commercial health insurance premiums to increase by 10 to 15 percent. If that happens, some people may no longer be able to afford health insurance, he said.

"Will this result in more people being uninsured? That's the fundamental question," Summer said. "Will it impede access to health care?"

DHHR Secretary Martha Walker could not immediately be reached for comment Monday. She has said the proposed cuts are under discussion, and no decisions have been made.

Medicaid is a state-federal program that provides health care for the needy, aged, blind and disabled and low-income families with children. Medicaid was serving nearly 301,000 West Virginians as of February, said Randy Myers, deputy commissioner with the state Bureau of Medical Services.

Some hospitals already are struggling to meet the bottom line. About 75 percent of the state's hospitals lost money in patient care in 2003, Summer said.

While Grant Memorial Hospital in Petersburg reported a small profit last year, the facility would likely have to request a rate increase from the state Health Care Authority if Medicaid is cut, said hospital CEO Robert Harman.

"You would probably find that most hospitals would have to request some kind of relief through the rate setting authority," Harman said.

About 70 percent of patients are covered by some kind of government health care plan, Summer said, meaning that a cost shift to the private market falls on the rest of the patients and their employers.

Government programs such as Medicaid, Medicare and the Public Employees Insurance Agency reimburse most hospitals at an average of about 82 percent of the services' cost, Summer said.

The private sector currently pays about 42 to 44 percent over cost to make up the difference, an amount expected to rise to about 56 percent by 2007, without taking into consideration potential Medicaid cuts, said Gregory K. Smith, CEO of Mountain State Blue Cross Blue Shield.

"Small businesses simply can't continue to incur this additional cost and burden," Smith said. "Unless these Medicaid cuts are restored, the burden becomes greater."

Labor groups, such as the Affiliated Construction Trades Foundation, also are concerned, as health care costs are "the number one issue at the bargaining table," said foundation director Steve White.

"We keep paying more because less and less people have health coverage," said White, whose group represents 20,000 construction workers in the state. "We're at a crisis point."

"We're having a hard time keeping insurance for our own working members."

AP-ES-04-11-05 1225EDT