

## ***Healthcare cost-shifting is real***

***By Joe Letnaunchyn, President and CEO, West Virginia Hospital Association***

As health policymakers nationally and statewide continue to plot an ambitious path for the future, uncertainty for providers continues to grow. Where will change come from? What will it look like? And, will providers have a say in determining that future vision?

In West Virginia, we are fortunate to have policymakers, provider groups, the business community, labor, health insurers, and others currently engaged in dialogue on a variety of levels. From healthcare reform, and access, to regulation and wellness, more and more of our community is becoming actively involved in helping to shape the look and future of the healthcare delivery system in West Virginia. One facet of the dialogue that intersects virtually all of these areas is the issue of the cost-shift. It is real and is linked to the ability of every West Virginia citizen, and large and small business, to have access to affordable health insurance.

Understanding the cost-shift is first acknowledging that in West Virginia, we are in the unique position of having more than 70 percent of our residents covered by federal and state government healthcare programs like Medicare, Medicaid and the Public Employees Insurance Agency (PEIA). This means that West Virginia hospitals have a great dependency and interest in how government programs like Medicaid, for example, are financed, managed and operated. Our interest stems from a desire to ensure that our hospitals continue to provide the 24/7 services that patients deserve and demand. For many hospitals, that means continuing to offer highly specialized and high-risk services such as pediatric and neonatal intensive care.

Whether celebrating new life or restoring health, when we speak of the patients West Virginia hospitals serve, we're primarily talking about an older and sicker population. We have some of the nation's highest rates of tobacco use and obesity, leading to chronic illnesses such as cancer, heart disease and diabetes. Improving our health status will significantly reduce our overall healthcare costs, thereby having a positive impact on the cost-shift. Quite simply, we need to stay focused on wellness and personal responsibility. State efforts to streamline services within government healthcare programs and to incorporate wellness and personal responsibility into services are significant steps toward containing costs and reducing the rate of programmatic growth in the long term. This is a fundamental necessity

that must remain an aspect of any discussions related to our healthcare delivery system.

Another acknowledgment to consider in the cost-shift discussion is the fundamental challenge of an uninsured population. At any time during the year, nearly 300,000 of our citizens are uninsured. With the leadership of our Governor, legislative leaders and policymakers, there is good work being done across the board to help reduce those numbers, thereby reducing the cost-shift. Still, much work needs to be done.

How can getting more people health insurance reduce the cost-shift? Ensuring access to care is important because the state's uninsured population uses hospital emergency rooms as their primary care provider – often times, when their health is at its poorest and the costs are most expensive. This adds up to an extraordinary burden on healthcare providers and a sicker population, with adverse implications on worker productivity and community living standards in West Virginia.

The impact alone on hospitals in West Virginia remains a significant issue. In 2006, West Virginia hospitals provided uncompensated care to the uninsured and underinsured that was valued at more than \$560 million. The annual growth in uncompensated care is an indication that private health insurance is becoming more expensive and is priced out of the range of affordability for many West Virginians.

Improving our health status, “looking within” the many facets of our delivery system in a rational approach, and ensuring access to care, are all steps in the right direction in reducing overall healthcare costs and reducing the cost-shift.

However, the reality of healthcare in West Virginia today is that utilization and demand, due to our poor health status and aging population, continue to characterize our delivery system. The consequence is a funding structure that is unable to keep pace with the slower growth in the overall state economy and state budget. The result is a payment system that reimburses providers well below the cost of providing care for covering beneficiaries, primarily those covered by governmental health programs. Costs end up being shifted to the private sector – the small and large businesses that want to thrive in West Virginia.

Medicaid payment to hospitals cover, on average, less than 84 percent of the costs of providing care. As a result, healthcare providers are put into the predicament of shifting the non-reimbursed costs of serving government-covered patients to those covered by commercial insurance in the private sector. In 2005,

this cost shift was \$98 million alone caring for Medicaid patients and another \$33 million caring for PEIA patients.

This is a reality and vicious cycle that exists in our current healthcare infrastructure. We must adequately fund our healthcare programs, while balancing the healthcare needs of our population, and preserving our healthcare safety net. It will require an open dialogue and concerted effort by the same policymakers, provider groups, business leaders, labor, health insurers, and others currently engaged in the dialogue of shaping our healthcare delivery system for the future to develop a consensus response to break the cycle and provide for a strong, healthy West Virginia.