



Delaware Healthcare Association

P R E S S R E L E A S E

State of Delaware Rolls-Back Hospital Medicaid Increase

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For Immediate Release

March 16, 2009

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The State of Delaware has rescinded a 4.4% increase in hospital Medicaid reimbursement rates that will cost the state's hospitals in excess of \$12 million a year. The rate increase was implemented in January of this year. Now, due to Delaware's sizable budget shortfall, state government has informed hospitals that the increase will be rescinded starting April 1, 2009.

"This hurts hospital finances," said Wayne A. Smith, President and CEO of the Delaware Healthcare Association – the trade group for the state's hospitals. Hospitals finances are already being squeezed due to a fall off in the number of elective procedures performed and an increase in no-pay patients in the worsening economy. "We're seeing more bad debt, and more patients who are uninsured and can not pay because of the economic recession," Smith stated. "Volume is down as people postpone non-critical procedures. A \$12 million hit in Medicaid rates even as Medicaid rolls grow, hurts. It will be even more challenging for hospitals to cover their costs."

The state's rescission comes on the heels of a report that hospitals nationwide are now operating in the red, on average. The American Hospital Association reported on March 11th that:

The average total margin for hospitals reporting financial information to DATABANK fell to negative 7.8% in fourth-quarter 2008 from positive 4.6% in fourth-quarter 2007, according to a [report](#) released today by the AHA and Colorado Hospital Association. Hospitals in 28 states report financial data to DATABANK, a CHA database, more than half of whom reported a negative margin in fourth-quarter 2008. Patient discharges fell 0.5% from the prior-year quarter, potentially indicating patients are putting off care, while the cost of uncompensated care rose 6.6% and the cost of capital rose 12%. "The effects of the economic downturn, the subsequent rise in unemployment and the loss of job-based health insurance have impacted hospitals like never before," the report states. "Patients

count on their local hospital in times of need and hospitals' ability to care for their communities is compromised as turmoil in the economy and capital markets continues." Source: American Hospital Association.

<http://www.aha.org/aha/content/2009/pdf/090311econcrisisdatabank.pdf>

Smith did want to underscore that Delaware hospitals remain committed to serving everyone who walks through their doors. "Our hospitals will continue to be there to heal and care for Delawareans," he said. "Obviously it is tighter with less money, but the public should rest assured that if a health emergency or necessity arises, there will continue to be an excellent Delaware hospital to address individual patient concerns."

Hospitals were notified by letter in early January that they would be receiving their inflation increase of 4.4%. This adjustment is supposed to be made annually in Delaware to allow health care providers to keep pace with new Medicaid enrollees and inflation. Delaware hospitals were notified last week that the rate increase would be rescinded starting April 1st of this year.

"There is no doubt the Administration and General Assembly have a tremendous fiscal challenge in front of them," said Smith. "It is not surprising that hospitals would be asked to share in some of the sacrifice that will surely visit every department of government and every segment of those governed. However," Smith went on to state, "the ability to continue to deliver high-quality healthcare to every Delawarean does require adequate revenues. We certainly would hope that hospitals are not asked to endure more cutbacks or shoulder additional financial risks."