



# URGENT: Extend The One-Year Medicaid Moratorium Immediately

California's Public Hospitals at Serious Risk of Losing Ability to Provide Critical Services

FEBRUARY 2008

## IMMEDIATE CONGRESSIONAL ACTION NEEDED

The California Association of Public Hospitals and Health Systems (CAPH) strongly urges Congress to extend the one-year moratorium against the implementation of two Medicaid rules that would dramatically reduce funding to public hospitals in California and across the nation when the current moratorium expires on May 25, 2008. California's public hospitals would lose **\$600 million** in critical funding each year under these rules.

In addition, after the moratorium was enacted, the Centers for Medicare and Medicaid Services (CMS) promulgated an additional rule that would further harm public hospitals. If Congress does not act **now** to prevent these rules from going into effect, California's residents will lose access to critically needed services.

California's 19 public hospitals make up just 6 percent of all hospitals statewide, but are a cornerstone of its health care system. They operate nearly 60 percent of all top-level trauma centers, provide 45 percent of all burn care, train 45 percent of all doctors and deliver 11 million outpatient visits a year. Implementation of the Medicaid cuts would devastate this crucial system.

## The Medicaid Rules

- The **cost-limit rule** will prevent public hospitals from receiving federal funding assistance for services to uninsured patients. This would put at risk \$500 million in federal Medicaid funding to California's public hospitals for services to uninsured patients.
- The **GME** rule will eliminate Medicaid payments for graduate medical education services provided by public hospitals. In California, this loss would be \$86 million each year.
- The **outpatient rule** will limit Medicaid reimbursements for services that are currently covered.

*"San Francisco General  
Hospital would lose the  
equivalent of three nursing  
units, or 90 of 500 beds."*

*Gene Marie O'Connell,  
Executive Administrator,  
San Francisco General Hospital  
Medical Center*

## Background

On May 25, 2007, as part of its supplemental appropriations bill, Congress expressed its opposition to the cost-limit rule by imposing a one-year moratorium to its implementation, and to any action that would cut GME Medicaid payments. On the same day, CMS released the final Medicaid cost-limit rule. The Administration's publication of the final rule was contrary to the will of Congress, which was expressed during the comment period in bipartisan letters of opposition.

## Risk to Public Hospitals

If the Medicaid cuts go into effect, California's public hospitals will be forced to reduce or eliminate essential health care services, such as trauma, emergency, psychiatric and neonatal care. Public hospitals will also be unable to maintain their current level of training the state's future physicians. These changes will negatively impact access to health care for all California residents.

## Congress Must Act Immediately to Extend the Moratorium

CAPH is grateful to Congress for its successful actions last May that stopped the rules from going into effect. However, it is imperative that Congress attach an additional moratorium to any legislation that will pass **prior to the end of May**. The urgency to achieving a moratorium at once is even more pronounced because California's public hospitals must plan **now** to operate under the rules by making virtually impossible decisions about cutting critical services.

*"[Implementation of the rules is] equivalent to shutting down all the outpatient clinics we own and operate, as well as those we contract with in the community."*

*Bruce Chernof, M.D.,  
Director & Chief Medical Officer,  
Los Angeles County  
Department of Health Services*



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