

Health Care Funding To Reduce Cost-Shift

Issue

Insufficient funding and reimbursement from government payers for health care services have an impact on health care providers who, at times, have to make up this difference through higher costs shifted to privately insured patients and payers.

Background

Government payers like Medicaid and the Public Employees Insurance Agency (PEIA) account for a large segment of the patient population accessing West Virginia's healthcare delivery system. The Medicaid program has become the healthcare safety net for approximately 360,000 low-income people - our most vulnerable population - the poor, children, disabled adults and the elderly. These beneficiaries have access to a wide range of primary, acute, and long-term healthcare services. Medicaid has helped to prevent an even greater rise in the number of uninsured through continued access to vital healthcare services, as employer-based health insurance continues to erode.

The PEIA oversees the provision of health insurance and certain other benefits to approximately 200,000 public employees, retirees and their dependents each year. Utilization and cost growth in the plan continue to place a financial stress on the program. This negatively impacts healthcare provider payments and results in additional costs being shifted to the private sector.

Because government healthcare programs like PEIA and Medicaid are not funded adequately in order to keep pace with growth, utilization and demand, they are forced to reimburse providers well below the cost of providing care for these patients. In 2007, Medicaid payment to hospitals covered, on average, less than 79 percent of the costs of providing care. As a result, healthcare providers must shift the non-reimbursed costs of serving government patients to those covered by commercial insurance in the private sector. In 2007, this cost shift was \$140 million alone caring for Medicaid patients and another \$57 million caring for PEIA patients.

Through this cost shift, West Virginia's private sector - both small and large employers - end up subsidizing public program beneficiaries. Under funding of government programs creates a hidden tax that ultimately prices healthcare insurance out of the reach of West Virginia private employers and employees. Eventually, healthcare insurance premiums may become so high that individuals may choose not to be covered and businesses may elect to offer no or minimal health insurance coverage. If these happen, the the growth in the state's uninsured will only worsen.

The Chamber's Position

The West Virginia Chamber of Commerce supports responsible measures to increase the amount of state funding for governmental health care programs in order to cover the costs of providing health care and to prevent further cost shift to the private sector. Continuing the cost shifting practices of the past is detrimental for businesses in West Virginia who provide health care coverages.