

## EXTENSIONS OF REMARKS

### INTRODUCTION OF LEGISLATION TO HELP THE NATION'S SAFETY NET HOSPITALS: CARVE-OUT OF DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

**HON. CHARLES B. RANGEL**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Thursday, March 11, 1999*

Mr. RANGEL. Mr. Speaker, I am today introducing legislation to give equitable treatment to the Nation's safety-net hospitals, the hospitals which serve a disproportionate share of the Nation's uninsured and low-income. I am pleased to be joined by Representatives STARK, QUINN, WALSH, and 26 other Members.

Our bill "carves out" Disproportionate Share Hospital (DSH) payments from the amount we give HMOs and pays those DSH funds directly to DSH hospitals when managed care company patients use a DSH hospital.

This legislation completes a process well-started in the Balanced Budget Act. In the just-enacted Balanced Budget Act, we "carved out" from what we pay HMOs the amount attributable to the cost of Graduate Medical Education (GME) and provided that, when an HMO's patient actually uses a GME Hospital, that hospital will be directly reimbursed by Medicare for its extra GME expenses. This provision corrects a serious problem facing our Nation's teaching and research hospitals: HMOs get paid as if they use these hospitals, but in many (but not all) cases, HMOs avoid these more expensive hospitals. The "carve out" will prevent windfalls to HMOs and permit the GME hospitals to compete fairly for HMO patients.

The same logic that supported the GME carve-out supports the DSH carve-out. Though the Senate Finance and Commerce Committees' bills provided for both a DSH carve-out and a GME carve-out, the DSH carve-out was dropped from the final BBA. There is no logic to not applying the same principle to DSH payments.

Our Nation's safety-net hospitals desperately need these extra payments—and HMOs which do not use DSH hospitals do not deserve the extra amount. As data from 1995 show, the Nation's public hospitals in over 100 of America's largest metropolitan areas are the key safety-net hospitals. These hospitals make up only about 2 percent of all the Nation's hospitals, yet they provide more than 20 percent of all uncompensated care and they rely on Medicare and Medicaid to fund more than half of that uncompensated care. In 1995, 67 of these safety-net hospitals reported incurring \$5.8 billion in uncompensated care costs (defined as bad debt and charity care)—an average of over \$86 million per hospital. For these institutions, bad debt and charity care represented 25 percent of their total gross charges. And this disparity is only getting worse. Private and for-profit hospitals are increasingly competing for Medicaid patients (who at least bring with them some govern-

ment reimbursement) and leaving the totally uninsured to these disproportionate share safety-net hospitals. These safety-net hospitals have the worst total margins (i.e., "profits") in the hospital industry. Overall, hospital margins from Medicare payments are at record highs and this fact justified the Medicare payment update freeze and reductions which were included in the Balanced Budget Act. But the Prospective Payment Assessment Commission estimates that in 1997 the Nation's major teaching hospitals (who also tend to be DSH hospitals) will have the lowest total margins of any hospital category: 3.9 percent—a thin and shrinking margin that will surely turn negative in the next economic downturn. The enactment of this legislation could help improve these margins and preserve these hospitals.

Providing a DSH carve-out will also help these hospitals compete equally for managed care patients. Failing to provide a carve-out serves as an incentive to managed care plans not to use these more expensive hospitals. A recent White Paper from the National Association of Public Hospitals and Health Systems entitled "Preserving America's Safety Net Hospitals" explains why the DSH carve-out should be legislated:

The current methodology for distributing Direct Graduate Medical Education, Indirect Medical Education, and DSH payments is seriously flawed in the Medicare managed care context. For Medicare patients enrolled in managed care, these supplemental payments are incorporated into the average adjusted per capita cost (AAPCC) which is the capitation payment made to managed care plans. The plans do not necessarily pass these payments along to the hospitals which incur the costs that justify the payments. In fact, some plans receive the payments and do not even contract with such hospitals. As Medicare increases the use of capitated risk contracting, the amount of DGME, IME, and DSH funds that go to teaching hospitals will diminish considerably unless this payment policy is changed. In essence, payments intended to support the costs of teaching or low income care are being diverted from the hospitals that provide the care to managed care plans that are not fulfilling this mission. For this reason, the GME and DSH payments must be carved out of the AAPCC rate and made directly to the hospitals that incur those costs.

The carve-out for graduate medical education was wisely included in the Balanced Budget Act. It is logical, appropriate, and important that we complete the work and carve out the DSH payments.

I want to thank the Greater New York Hospital Association, the American Hospital Association, and the Healthcare Association of New York State (HANYS) for their support of the bill in the 105th Congress (H.R. 2701), and we look forward to working with them on the issue in the 106th Congress.

### IN CELEBRATION OF THE 100TH ANNIVERSARY OF THE DUNSMUIR HOUSE AND GARDENS IN OAKLAND, CA

**HON. BARBARA LEE**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, March 11, 1999*

Ms. LEE. Mr. Speaker, I rise in celebration of the 100th anniversary of the establishment of the Dunsmuir House and Gardens in Oakland, CA. This milestone will be commemorated with a year-long series of special events including lectures, concerts, and exhibits, beginning on Thursday, March 11, 1999, to celebrate the Dunsmuir estate and the history of the City of Oakland.

The Dunsmuir House and Gardens is a 50-acre early 20th century summer estate located in the hills of northeast Oakland. The estate features a 37-room, 16,224 square foot neoclassical revival mansion, carriage house, and barn, as well as additional farm buildings and a beautifully manicured landscape.

The estate was built by Alexander Dunsmuir as a wedding gift for his bride Josephine Wallace. In 1906, the estate was purchased by L.W. Hellman and later sold to the City of Oakland in the early 1960s. In 1971, the Dunsmuir House & Gardens, Inc. (DHGI), was formed to provide public access to the estate and grounds.

The Dunsmuir House & Gardens, Inc., is a non-profit organization with over 200 volunteers responsible for the restoration, preservation, and management of the Dunsmuir Estate. Throughout the year, DHGI presents several multi-cultural events, tours, and educational programs that provide opportunities for the public to enjoy the estate.

The mission of DHGI is to preserve and restore the buildings and grounds while maintaining their historic character; to interpret the valuable historical, cultural, architectural, and horticultural resources for the estate during the period of 1900 to 1910; to operate and maintain the estate for the enjoyment and education of the public; and to encourage the community's use of the property while maintaining a balance between site use and preservation.

The Dunsmuir House has been designated as a National Historic Site by the United States Department of the Interior and has been placed on the California Historic Register by the California Office of Historic Preservation. The Dunsmuir House is also designated as a Historic Landmark by the City of Oakland.

Throughout this centennial celebration, the Dunsmuir Estate will be alive with new construction and preservation projects. A new Garden Pavilion will be constructed in 1999, featuring a ballroom and meeting space which will accommodate up to 299 guests. During the construction of the new Garden Pavilion, a Garden Tent will also be installed on the estate.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.