

# N.H. study calculates 17% 'tax' from cost shifting

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CONCORD, N.H. — Low Medicare and Medicaid reimbursement rates contribute to higher insurance premiums for employers and employees, according to a study released by the New Hampshire Center for Public Policy Studies.

The cost shifting creates a "hidden tax" on hospital services averaging around 17 percent as New Hampshire hospitals compensate for inadequate federal reimbursement by raising fees on those who are insured privately, the report concludes.

"In total, the Center estimates, New Hampshire's 26 hospitals shifted \$237 million in costs from Medicare, Medicaid and patients unable to pay (during 2001)," writes the report's author, Douglas Hall, one of the center's executive directors.

Looking at data from 2001, the study concludes that insurance companies paid hospitals an average of 123 percent of actual expenses for hospital services. This helped compensate for reimbursement from Medicare averaging only 87 percent of actual expenses and reimbursement from Medicaid of only 77 percent of actual expenses.

"The extent of cost-shifting has not been apparent to employers, insurance providers, patients, voters and the elected and appointed people who set Medicare and Medicaid reimbursement rates," the study concludes. Having a clearer view is essential to making better public policy decisions, Hall argues.

"The paper shows....that federally set Medicare reimbursement rates are too low, in New Hampshire at least, and are thus raising costs to those employers providing health insurance to their work force."

Kathy Bizarro, executive vice president of the New Hampshire Hospital Association said the study is a fair one and shows the impact to hospitals of the low federal reimbursement rates.

"They're not even meeting the cost," she said. This forces hospitals to increase fees on those who can pay.

Furthermore the discrepancy between actual costs and federal reimbursement continues to widen, she said. In 2002, hospitals got back only 68 percent of actual costs for services to Medicare patients, she said. "It's quite a dilemma." □