

Healthcare on the Brink: An Integrated Solution to Illinois' Health Care Crises

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The Problems

- The safety net is tattered
 - 1.75 million uninsured
 - Medicaid is underfunded
- Providers eager to expand
 - Many prospering areas need new providers
 - But other communities are forsaken
- System of regulating providers is ineffective
 - Unnecessary bureaucratic and cumbersome
 - Politically challenged

The Integrated Solution

- Remake the safety net through a “floor and trade” system of charity care
- Make it every institutional provider’s responsibility to do their part
- Give providers freedom to determine how to meet responsibilities
- Liberate providers from onerous regulations

The Tattered Safety Net

- There have always been uninsured
 - Numbers are rising in absolute and percentage terms
- Nonprofit providers, community centers, and medical professionals provide charity care
 - Charity care is declining
 - <1% of hospital net revenues in Illinois
 - <7.5% of hospital “community benefits”
 - More uninsured face financial barriers to care
- Prosperous providers are not located where the need for charity care is greatest

The Growing Challenge

- Limited Medicaid funding squeezes safety net providers
- Medicare reimbursements likely to fall
- New organizations (e.g., ASC's, specialty hospitals, new community hospitals) meet growing needs for care but do not always do their part to serve the uninsured

Should Providers Meet this Challenge?

- Nonprofit hospitals have obligations to provide charity care or free/discounted care to indigent patients
 - Many nonprofits are located far from need for charity care
- Other institutional providers have no such obligations
- Yet all institutional providers must compete for the same pool of insured patients
- Should they all have a charity care obligation?

The Problem with CON

- CON is costly and time consuming
- CON does eventually facilitate growth, but rarely in areas where the safety net is weakest
 - New providers may contribute little towards the safety net
 - In some cases, new providers draw lucrative patients away from safety net providers
- It is reasonable to ask CON recipients to do their part; in exchange, state should reform the CON process
- CON reform and the safety net are inextricably linked

The Integrated Solution

- Ease CON restrictions
 - Make it easier for providers to meet growing needs of all populations
- Tie CON to aid for the safety net
 - All providers obtaining CON should have an obligation to help mend the safety net
 - Applies regardless of ownership or type of facility
- Reaffirm responsibility of all nonprofit providers to mend the safety net
- Allow providers freedom to determine best course of action, through a “Floor and Trade” system of charity care

Ease CON

- Increase \$\$\$ threshold for CON review
 - Small projects unlikely to cause grievous harm to system
- Eliminate burdensome aspects of review process
 - E.g., replace financial projection requirements with oversight from bond market
- Reevaluate computation of utilization and need projections
- Eliminate micromanagement of facility construction
 - Costs of construction are the responsibility of the provider and its lender

Tie CON Approval to Charity Care

- Providers highly covet CON
 - CON grants a license to prosper
 - CON conveys protection from excessive future competition
- Providers should give back to community
 - One-time obligation based on a percentage of the capital costs of project
 - Annual obligation based on total revenues
 - Providers may obtain exemptions based on level of Medicaid and charity care provided
 - Applies to *all CON applicants*, not just hospitals
- Obligations enforced through “Floor and Trade” methodology described below

Benefits of CON Reform

- Removes unnecessary oversight; reduces time and expense of obtaining approval
- Allows providers to determine how to best meet needs of neediest patients
- Providers who receive CON get something of value from the state; this proposal assures that they give something back
- Protects providers currently serving needy populations by exemption from further contributions
- Rules apply to all providers

Meeting the Nonprofit Obligation

- Nonprofit providers have historically been our safety net providers
- Nonprofits have drifted away from this mission
- Reaffirm this mission through a “floor and trade” system
- The same floor and trade system will be applied to all CON beneficiaries

Floor and Trade

- Nonprofit providers should meet a minimum standard of charity care based on a percentage of net revenues
 - Providers may offer direct patient care
 - Providers may instead form financial partnerships with designated safety net hospitals
- Nonprofit providers that fail to meet Floor and Trade obligation must contribute an elevated percentage of net revenue to the state to be used for charity care
 - Encourage providers to form partnerships in private sector

Benefits of Floor and Trade

- Dramatically increase resources for charity care
- Keep funding in the private sector
- Encourage hospitals to forge partnerships
- Helping safety net hospitals survive actually helps all hospitals

