



Attempt to extract RN concessions based on false healthcare reform claims

Sutter Health opened negotiations at CNA facilities this year with a power point presentation on the healthcare reform legislation passed last year called the *Patient Protection and Affordable Care Act*, and how it would impact their bottom line. They have also bombarded RNs with letters and e-mails with similar arguments with the goal of having RNs take cut backs in benefits and standards that have been in their contract for years. This attempt to use health care reform as a hammer to bludgeon concessions from RNs must be rejected because Sutter's claims are either false, misleading or cannot be substantiated.

Let's look closely at Sutter's claims:

Misleading Claim #1:

"Less money from Medicare means that we will be paid less."

Fact: Sutter claims that lower Medicare reimbursement rates will impact their profits but the hospital industry calculated that hospitals nationally would be enriched by \$170 billion due to the individual mandate requirement of the legislation that they lobbied for and received. This windfall will more than offset the \$155 billion the industry estimates it might lose on Medicare reimbursement cuts.

Misleading Claim #2:

"More MediCal patients mean that we will be paid less."

Fact: Many of the new MediCal patients were uninsured prior to the Act. That means uncompensated care numbers will drop and overall revenues, even at MediCal rates, should increase.

Fact: The new healthcare legislation increases MediCal payments to the same reimbursement rates as Medicare. From 2014 – 2016, the federal government will pay all costs for covering the newly eligible MediCal beneficiaries.

Misleading Claim #3:

"Value-based purchasing will reduce payments to all but the top 10% performing hospitals."

Fact: Provider reimbursements from Medicare, beginning in 2013, will be based in some part on quality measures of the care given to patients, but managements claim is misleading because most hospitals will not necessarily receive any less than what they would have otherwise. The Center for Medicare and Medicaid Services estimates that about 50% of hospitals will see increased payments and 50% will see reduced payments. They further project that no participating hospital will receive more than a net 1% increase or decrease in total Medicare payments. *Source: Hospital Inpatient Value-Based Purchasing Program, Final rule p. 26545, Centers for Medicare & Medicaid Services website.*

Fact: Sutter Hospitals would currently qualify for the highest Medicare reimbursements under the new legislation. "In 2010, Sutter Health-affiliated hospitals performed among the top 10 percent of hospitals nationwide in all quality measures from the Centers for Medicare & Medicaid Services (CMS)."

Quote source: Sutter Health website, http://www.sutterhealth.org/about/news/news11_Sutter-Health-Supports-Accountable-Care-Concept.html, accessed June 3, 2011

Continued on reverse:

Misleading Claim #4:
“Disproportionate Share payments will be reduced by 75%.”

Fact: The government currently pays hospitals money (Disproportionate Share Payments, DSH) to make up for treating a disproportionate number of uninsured patients. The Act reduces DSH payments because, logically, there will be fewer patients uninsured. The reduction does not begin until 2014 and will be based on the percentage of population that remains uninsured and the amount of uncompensated care that each hospital provides. The 75% reduction Sutter claims cannot be substantiated.

Fact: According to the California State Dept of Health Care Services in 2010 only one Sutter affiliate currently represented by CNA (St. Lukes) even qualified for DSH Payments. Sutter will not be losing out on DSH payments in the future because at almost all of their facilities they do not provide enough uncompensated care to even qualify for the current reimbursement.

Source: http://www.dhcs.ca.gov/formsandpubs/publications/Pages/DSH_Eligibility.aspx

Misleading Claim #5:
“Financial losses will start when the exchanges come on line and get worse over time.”

Fact: Employers with 50 or more employees who do not provide insurance will need to provide coverage to their employees beginning in 2014 or pay a penalty for each employee not covered. Sutter assumes that employers will pay the penalty instead of providing insurance but that is not a given. Employers could shift to employer sponsored plans to avoid the penalties. Sutter also assumes that they will be paid less by health plans participating in the exchanges than through employer sponsored plans but that is unknown at this time and the exchanges do not go online until 2017.

Fact: Many people who had no insurance in the past (unemployed, self-employed, non-Medicare retirees, employees at small businesses, etc.) will now have coverage through the exchanges, and although it's not known what rates the exchange plans will pay, it will surely be more than what hospitals received from patients who had no coverage.

And What They're Not Telling You

- **Pat Fry Supported Healthcare Reform.** The American Hospital Association and its affiliates including the California Hospital Association supported the healthcare reform act. The Chair of the California Hospital Associations Board of Trustees when the health care legislation passed was none other than Sutter CEO Pat Fry. If health care reform is such a bad deal for the hospitals why did Fry and the AHA/CHA give it their endorsement?
- Sutter does not mention accountable care organization status (ACO) which will allow hospitals to share in Medicare cost savings with the government. Sutter is clearly interested in participating and is lining itself up to do so “Sutter Health has work underway that positions the network to potential apply for accountable care organization (ACO) status with Medicare.” Participation as an ACO would allow Sutter to recoup a percentage of Medicare losses due to any lower reimbursement rates.
Quote source: Sutter Health website, http://www.sutterhealth.org/about/news/news11_Sutter-Health-Supports-Accountable-Care-Concept.html, accessed June 3, 2011
- The American Recovery and Reinvestment Act of 2009 allocated over 19 billion dollars for healthcare information technology development. Paul Tang from Sutter Health's Palo Alto Medical Foundation is Vice Chair of the federal policy committee that acts as advisors to the ARRA. Sutter Health will undoubtedly be seeking and likely receiving some portion of the 19 billion dollars available to the hospitals and other providers for IT development. Sutter is no stranger to lining up at the taxpayer trough. Just this year they received an \$800 million dollar low cost State loan from California Health Facilities Financing Authority (CHFFA) for their multiple construction projects.
Source on loan information: www.treasurer.ca.gov/chffa/staff/2011/20110106/360.pdf

We're not fooled by Sutter's misleading and disingenuous claims. Healthcare reform is not going to stop Sutter from continuing to be one of the nations most profitable hospital chains. They do not need concessions now from hardworking RNs in these negotiations.

No Takeaways!



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