



The Hospital + Healthsystem
Association of Pennsylvania

Leading for Better Health

FAQ | PENNSYLVANIA'S QUALITY CARE ASSESSMENT

What is the Quality Care Assessment (QCA)?

Sometimes referred to as “the hospital assessment,” Pennsylvania’s QCA is a state program designed to ensure patients’ access to care, leverage federal Medicaid funding to help provide hospital payments, and offer support for the state budget.

Each year, regardless of their tax status, Pennsylvania’s acute care and rehabilitation hospitals pay an assessment that totals more than a billion dollars, based on their overall inpatient and outpatient revenues. The state retains an amount set by law (currently \$300 million) and the remainder (currently about \$700 million) is used, along with federal matching funds, to help pay for care that patients covered by Medicaid receive at hospitals.

Do hospitals benefit from the QCA?

Yes, most do. Medicaid payments funded by the QCA are designed to bolster health coverage for vulnerable Pennsylvanians, offset hospitals’ costs for uncompensated care, reduce potentially preventable admissions, combat the opioid epidemic, and decrease racial and ethnic health disparities.

The benefit to the hospital community results from leveraging federal dollars and equals the amount that Pennsylvania is able to increase Medicaid payments to hospitals (approximately \$2 billion) net of the assessment they pay (approximately \$1 billion).

Even with the QCA-funded advantage, however, Pennsylvania’s Medicaid payments only reimburse about 81 cents for every dollar of a hospital’s actual cost to deliver patient care.

Does the commonwealth benefit from the QCA?

As required by the law, Pennsylvania benefits from assessment collections that are directed to the state coffers each year. Since the hospital and health system community helped create this program prior to fiscal year 2010, it has contributed more than \$2.2 billion to support the commonwealth’s budget.

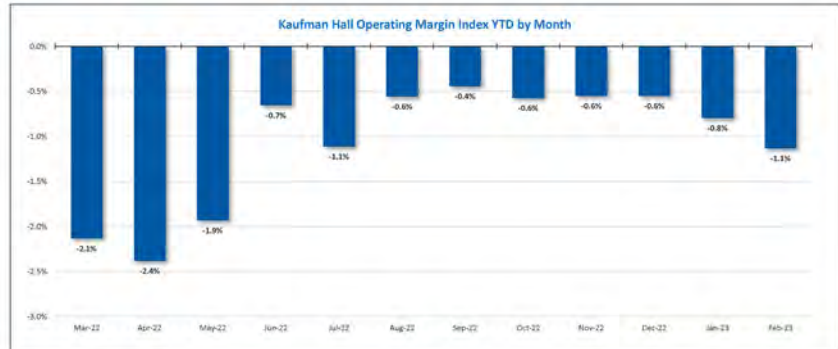
Why is the QCA so important this year?

The current five-year authorization ends on June 30 and QCA must be reset with this year’s budget.

Nationwide, 2022 was the worst financial year for hospitals and health systems since the start of the COVID-19 pandemic, according to KaufmanHall (see graphic, next page). Persistent financial challenges are driven, in part, by the health care workforce crisis, the escalating cost of pharmaceuticals, inflationary pressure, and investment losses. Hospitals throughout Pennsylvania [and the nation](#) have absorbed soaring costs as they must rely on contract labor to keep doors open amid this historic [workforce crisis](#).

The Pennsylvania Health Care Cost Containment Council's [COVID-19 Disaster Emergency Report](#) found that PA hospitals incurred a combined \$91 million in additional COVID-related staffing costs during April, May, and June 2022. Overall, Pennsylvania hospitals' expense increases and revenue losses attributable to the pandemic exceed \$7.8 billion.

Operating Margin



*Note: The Negative and Positive Operating Margin Index represents a percentage of the national median of the index reported by all hospitals in the same month. All values are relative to the national median.

Do QCA payments affect patient care?

Unlike many other states, Pennsylvania does not have a public hospital system, through which general hospitals are owned by state or local governments. Private hospitals are the cornerstone of our health care system and they are open 24/7/365 to treat all patients, regardless of ability to pay.

In 2020, Pennsylvania's hospitals work included:

- 49,564 lives saved at trauma centers
- 1.4 million inpatient stays
- 4.9 million emergency department encounters
- 37.9 million outpatient visits
- \$826 million in uncompensated care

In light of workforce and financial constraints, many of Pennsylvania's hospitals have already closed beds and/or reduced services to stay afloat. If the QCA is not reauthorized, the frequency and scope of such activity is likely to escalate or, in the worst-case scenarios, some hospitals may have to close their doors altogether.

Might there be changes in this year's QCA reauthorization?

The hospital and health system community has been working closely with the Pennsylvania Department of Human Services to explore potential opportunities to better leverage federal funds to support patients covered by Medicaid. Specifically, leaders are evaluating an approach that has been implemented in other states that changes from the existing Medicaid payment benchmark to one that is based on average commercial rates.

The change would require hospitals to pay more in assessments but would increase the state's Medicaid payment ceiling, leverage additional federal support, and help bring reimbursements for treating patients who rely on Medicaid closer to the actual cost of providing care.