

Veto No. 1978-9

SB 292

July 1, 1978

To the Honorable, the Senate
of the Commonwealth of Pennsylvania:

I return herewith, without my approval, Senate Bill No. 292, Printer's No. 1997, entitled "An act amending the act of June 13, 1967 (P.L.31, No.21) entitled 'Public Welfare Code,' providing for a system for reimbursement for certain medical assistance items and services and negating a proposed regulation relating to medical assistance."

This bill amends the Public Welfare Code to provide for a system of prior Departmental approvals before reimbursement can be sought for certain medical assistance items and services. Also, the bill purports to negate a proposed regulation which would have the effect of controlling rising hospital costs.

The ironies of this bill cannot be lost on the General Assembly or the public at large. The prior authority portions of this bill as originally written would serve to contain costs associated with several minor matters concerning medical assistance services and supplies, such as oxygen equipment in the home, dental services and orthopedic shoes. The savings to be achieved by these prior authorizations, while significant, are but nothing compared with the savings to be achieved by the proposed rules on hospital cost containment.

Over the past five years, the average hospital cost skyrocketed from \$70 per day to \$153 per day an increase of 119%. This increase was more than two and one-half times the rate of inflation in the general economy. Hospital costs consume the lion's share of Medical Assistance expenditures in Pennsylvania. Next year hospital costs are projected to be \$418 million, or more than 60% of the 1978-79 Medical Assistance budget.

Rising hospital costs are a National problem, and Federal legislation has been proposed to address this problem. When it became clear that Federal legislation to contain hospital costs would not be enacted this year, I proposed a hospital cost containment plan for Pennsylvania.

Now the same General Assembly which has consistently underfunded the Medical Assistance Program has passed Senate Bill No. 292 to block our efforts to hold down the inflationary spiral of hospital costs.

This is fiscal irresponsibility of the highest magnitude which will work to the detriment of health care and services for all the people in Pennsylvania.

The Pennsylvania Cost Containment Plan is not a punitive program. In essence, the Pennsylvania Plan provides reimbursement to hospitals in line with general price increases throughout the economy. The Plan is flexible enough to recognize variations in cost from one institution to another and provides for special adjustments and exceptions where financial hardships can be established.

The Pennsylvania Plan will be implemented on July 1, 1978. The final version of the Plan incorporates modifications recommended by the Hospital Association of Pennsylvania, individual hospitals, Members of the General Assembly and other interested parties.

The Plan is designed to insure that hospitals are reimbursed in a fair and equitable manner while, at the same time, imposing realistic limits on rapidly increasing hospital costs.

The Pennsylvania Plan represents a modest first step toward slowing down hospital cost increases and bringing them into line with the general economy.

Senate Bill No. 292 blocks that effort. I am compelled to veto this bill so that we can begin to set reasonable limits on hospital costs in Pennsylvania.

MILTON J. SHAPP