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Health law worries hospitals

US academic centres fear they will lose out as upheld Affordable Care Act cuts payments.

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A historic health-care decision by the US Supreme Court holds mixed blessings for research-intensive teaching hospitals. On 28 June, the court upheld most of the Patient Protection and Affordable Care Act, President Barack Obama's signature legislative accomplishment. By enabling tens of millions of currently uninsured people to obtain health-care coverage, the law should significantly lighten one of the hospitals' burdens: charity care. In 2010, 275 of the country's major teaching hospitals, which make up only 6% of all hospitals, conducted nearly 40% of the country's free care for uninsured patients, worth US$8.4 billion, according to the Association of American Medical Colleges (AAMC) in Washington DC.

Yet as broader insurance coverage reduces those costs, another of the law's provisions is ensuring that teaching hospitals do not receive a windfall. It cuts government health-care payments to hospitals by $155 billion between 2010 and 2019 — reductions that teaching hospitals say may amount to a net loss, hurting their research mission. And although the cuts have already begun to take effect, the financial boost from an increasingly insured population won't begin until 2014, when people will be required to purchase health insurance or pay a tax penalty.

"There is no question that these cuts put the ability of institutions to continue to invest in medical research at risk," says Ann Bonham, chief scientific officer of the AAMC.

Some health economists are sceptical of such claims. “All they are saying is: ‘We want more, and we want other people to pay for it’,” says Michael Cannon, director of health-policy studies at the Cato Institute, a libertarian think tank in Washington DC. He believes that research should not be funded from the public purse. But Scott Gottlieb, a practicing physician and fellow at the conservative American Enterprise Institute, also in Washington DC, says that medical centres are right to be concerned. “They are not going to be able to make up in the volume of newly insured what they are losing in the cuts that they’re facing,” he says.

Gottlieb notes that the hospitals’ situation may be exacerbated if too many states opt out of increasing the number of people covered under Medicaid, the government programme for the poor and disabled. The Supreme Court, in its only disagreement with the health-care act, threw out the section that would have allowed the federal government to financially punish states that reject the planned expansion — which was expected to cover at least 16 million people.

Where science is concerned, the court’s narrow 5–4 decision upholding the law preserves several research efforts. They include the establishment of a $10-billion Prevention and Public Health Fund, which the Obama administration is already using to prop up the budget of the Centers for Disease Control and Prevention in Atlanta, Georgia (see *Nature* **483,** 19; 2012), and which it is proposing to use to fund $80 million in research into Alzheimer’s disease at the National Institutes of Health (NIH). Other research provisions of the law include the Cures Acceleration Network, an NIH grants programme aimed at speeding into the clinic drugs and devices that industry has few incentives to develop, and the Patient-Centered Outcomes Research Institute in Washington DC, which last month awarded its first $30 million in grants for research comparing the effectiveness of different treatments. The law authorizes the Food and Drug Administration (FDA) to let makers of generic drugs compete with brand-name manufacturers in producing biosimilars — biological drugs based on large proteins (see *Nature* http://doi.org/h2j; 2012). That regulatory process is already well under way, and last month, Congress passed a bill establishing the first user fees to fund FDA approval of these drugs.

But researchers at teaching hospitals might be affected most by the $155 billion in cuts to government payments from Medicaid and Medicare (which provides health insurance to people aged over 65). Already, biomedical research at teaching hospitals is partly supported by income from patient care, says Atul Grover, the AAMC's chief public-policy officer. If Medicare and Medicaid payments are cut substantially, and new income from insured patients doesn't fill the gap, he says, research will suffer. "There's an old saying: no margin, no mission," says Grover.

Edward Benz, president of the Dana-Farber Cancer Institute in Boston, Massachusetts, also questions whether increased revenues from newly insured patients will offset the cuts. He says that such patients will not necessarily continue to come to the teaching hospitals, because the law contains incentives that direct them to less costly hospitals and clinics.

Advocates of teaching hospitals point out that at least 20 million people will remain uninsured through choice or circumstance even after tens of millions of others obtain coverage under the law. A disproportionate number of the ill and injured among those without insurance may still end up at teaching hospitals, says Grover. Although the long wait for a ruling on the health-care law is over, uncertainties about the effects of the cuts to Medicare and Medicaid payments have just begun. Grover hopes that the cuts will be carefully adjusted in coming years to keep teaching hospitals on an even keel. "The devil is in the details here," he says.