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Statement

of the

American Hospital Association

to the

Committee on Finance

of the

United States Senate

"Hearing to Consider the Graham-Cassidy-Heller-Johnson Proposal"

September 25, 2017

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, as well as our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to submit for the record our comments on the importance of maintaining coverage and access to care as the Senate considers a proposal that would radically transform the health care system.

The AHA opposes the Graham-Cassidy-Heller-Johnson proposal. This proposal cuts or repeals major health care coverage programs without putting an adequate alternative in place, placing coverage for tens of millions of Americans at risk. The exact impact of this proposal is uncertain as the Congressional Budget Office (CBO) has been unable, thus far, to fully analyze the proposal. However, an analysis conducted by KNG Health Consulting for the AHA found that more than 20 million individuals would lose coverage by 2026, and the proposal would result in $275 billion less in federal funding to states. This is similar to CBO projections for an earlier proposal, which found that 22 million individuals or more would lose coverage, and hundreds of billions of dollars would be cut from the health care system. Moreover, while some states may receive additional federal funds under the proposal, our analysis found that the rate of uninsured would increase in every state. We urge the Senate to go back to the drawing board and work in a bipartisan manner to address the challenges facing our nation's health care system.

Among the AHA's key concerns with the Graham-Cassidy-Heller-Johnson proposal:

- **The Proposal Would Result in Millions Losing Health Coverage.** The proposal would repeal the Affordable Care Act's (ACA) individual and employer mandate penalties, and it would slash funding for traditional Medicaid by transitioning financing for the program to a per capita cap model with trend factors that are generally below historic spending growth, jeopardizing coverage for our most vulnerable. Finally, the proposal would repeal Medicaid expansion, the Basic Health Program, and the Health Insurance Marketplace subsidies – through which more than 20 million people receive coverage – and direct a portion of the funds for those programs to establish a state grant program. The proposal would provide approximately $200 billion less than the federal government would spend under current law.[1] The proposal, as updated on Sept. 24, 2017, would also direct approximately $4.5 billion to several states based on whether the state expanded Medicaid after Dec. 31, 2015[2] or has an approved 1332 waiver that provides federal "pass-through" funding to the state. Only a handful of states – Alaska, Hawaii, Louisiana, Montana and Minnesota – would qualify for these additional funds. There are few guidelines for states on how to use the grant funds, including no requirement that states even use the money for coverage. Finally, this program and the funding available through it would end entirely at the conclusion of 2026, without any plan for how to continue coverage for those who do benefit from the program.

- **Transitioning Medicaid to a Per Capita Cap Financing Model Would Reduce Program Funding to Unsustainable Levels Over Time.** The proposal's per capita spending limits would reduce federal Medicaid funding to unsustainable levels over time. From 2020 to 2026, states would receive billions less than under current law.[3] Once even stricter caps go into effect, the cuts would jump dramatically and grow larger over time. While, the proposal would provide just two states – Alaska and Hawaii – with increased federal Medicaid funds through an increase in their FMAP, for all other states, these cuts would force state Medicaid programs to make tough choices about how to manage their remaining Medicaid dollars and would result in additional coverage losses.

  Medicaid serves our most vulnerable populations, including Americans with chronic conditions such as cancer, the elderly and disabled individuals in need of long-term services and support; and the program already pays providers significantly less than the cost of providing care. The proposed restructuring of the Medicaid program and the resulting deep financial cuts will have serious negative consequences for communities across America.

- **The Proposal Incentivizes States to Cover Only a Sliver of Those Currently Enrolled.** The proposed grant program would ultimately provide each state with a standard amount of money per "low-income individual," subject to some adjustments. The proposal defines a low-income individual as someone with income between 45 and 133 percent of poverty.[4]

[1] KNG Health Consulting, LLC.
[2] The draft legislative language provides that the additional funds are for states that expanded after Dec. 31, 2016, but the summary document indicates that the provision applies to states that expanded after Dec. 31, 2015. We assume the date in the draft legislative language is a drafting error as no states expanded after Dec. 31, 2016.
[3] Id.
[4] Effectively 50 to 138 percent of poverty when accounting for a 5 percent income disregard.

States would be subject to a reduction in their allotment depending on how many individuals within this income range do not have comprehensive coverage. In addition, based on changes in the Sept. 24, 2017 draft of the proposal, at least half of the grant funds must be used to provide assistance to people with incomes between 45 and 295 percent of poverty. While we support incentivizing enrollment in comprehensive coverage, we question why the proposal does not incentivize states to cover individuals below 45 percent of poverty. The proposal sponsors suggest that the selected income range "represents the population currently on Medicaid expansion. This population disproportionally struggles to access health insurance, and is, therefore, a better population to use when assessing need and determining state allotments."[5] Presumably, the millions of individuals below 45 percent of poverty, including those who lose coverage due to the repeal of Medicaid expansion, similarly struggle to access coverage.

- **The Proposal Would Erode Key Protections for Patients and Consumers.** Under the grant program, states could waive certain consumer protections related to essential health benefits and some elements of community rating, among other insurance market provisions. As a result, insurers could sell inadequate coverage and charge individuals with pre-existing conditions any amount in premiums. Changes to the proposal introduced on Sept. 24, 2017 fail to ensure that such individuals would not be priced out of coverage.

- **The Proposal Does Not Provide States with Adequate Time to Implement New Coverage Programs.** The law would provide states with less than two years to wind down current coverage programs and develop alternatives. We do not believe this provides states with adequate time to address the myriad issues they will face, including: to what type of coverage model the state would transition; who would be eligible for coverage; how the state would handle disenrollment from current coverage programs; whether the state would reform insurance market rules; and the building of new coverage program infrastructure, among other issues. While changes in the Sept. 24, 2017 version of the proposal would retain the Health Insurance Marketplace infrastructure as an option for states to use, considerable barriers to developing and implementing plans remain. For example, in some states, the legislature will not meet in 2018.

  Implementing new health care programs takes far longer than the timeframe allowed by the proposal. Take, for example, the process states already use to contract with managed care organizations to serve Medicaid beneficiaries. Not including the initial planning period, the process of developing a request for proposals, soliciting and reviewing bids, working with plans to develop new products, and enrolling beneficiaries into plans often takes 18 months or longer. It is very possible that the time constraint alone means that some states will be unable to use some or all of their allotments.

- **The Proposal Would Not Stabilize the Insurance Market in the Short or Long Term.** The proposal fails to fund the cost-sharing reductions (CSRs) in the short term (2018 and 2019), while providing a separate fund to help stabilize the insurance markets in 2019 and

[5] Graham-Cassidy-Heller-Johnson: Frequently Asked Questions, accessed on Sept. 21, 2017 at: https://www.cassidy.senate.gov/imo/media/doc/GCH%20FAQs%20Final.pdf.

2020 (but not 2018). CBO previously estimated that failure to fund the CSRs in 2018 would increase premium rates by 20 percent and increase the federal deficit by $6 billion that year.

- **Without CBO Analysis, It Is Impossible to Assess Fully the Impact of This Proposal.** The proposed changes to the health care system included in this proposal may alter dramatically how millions of Americans get health care coverage and how they access care. Beyond those at risk of losing coverage, the impact of these changes would be felt throughout the health care system. Without a full CBO analysis, no one fully understands the consequences – both intended and unintended – of this proposal.

CONCLUSION

Health care coverage is vitally important to working Americans and their families. They rely on hospitals and health systems to provide them with access for their essential health care needs, including the full range of preventive to critical, life-saving services. Without coverage, access to these services is at risk, and, with it, the quality of life and health of our communities. This proposal would strip hundreds of billions of dollars from the health care system and put coverage at risk for some of the nation's most vulnerable.

We urge the Senate to protect our patients and reject this proposal. We remain committed to working with you on positive reforms to the health care system.