



DELAWARE VALLEY HEALTHCARE COUNCIL
of The Hospital & Healthsystem Association of Pennsylvania

The Importance of Medicaid Expansion to Philadelphia

Statement of the Delaware Valley Healthcare Council of HAP

Before the Council of the City of Philadelphia's
Committee on Public Health and Human Services

Presented by

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Thank you to Committee Chair Marian B. Tasco and fellow committee members for giving Delaware Valley Healthcare Council of HAP the opportunity to testify here today.

I am Brian Eury, legislative director for the Delaware Valley Healthcare Council of HAP (DVHC). We represent and advocate for more than 50 acute and specialty care hospitals and health systems, over 30 facilities providing inpatient behavioral health services, and 20 facilities providing physical rehabilitation in southeastern Pennsylvania.

On behalf of hospitals in the city and region, DVHC welcomes today's discussion on Resolution No. 120090 authorizing this committee to discuss the importance of Medicaid expansion to Philadelphia.

The Medicaid Expansion Component of the Affordable Care Act

Pennsylvania's Medicaid program, also called Medical Assistance, provides health care to the elderly; persons with intellectual, medical, and/or physical disabilities; and pregnant women, low-income children, and families who are eligible financially and who do not have access to health insurance.

The Affordable Care Act, also known as health reform, was designed to extend insurance to 30 million more Americans, in part by expanding who is eligible to receive Medicaid. More than 17 million uninsured—mostly childless adults in poverty or slightly above it—were to be covered by expanding Medicaid to nearly all individuals with incomes up to 138 percent of the federal poverty level.

From 2014 to 2017, the federal government will pay the entire bill (100 percent of costs) for states' expansion of the Medicaid program, and then will pick up 90 to 95 percent of the costs after that. This is far more than the 55 percent 'federal match' Pennsylvania now receives for Medicaid spending on health care.

In June 2012, the United States Supreme Court upheld the Affordable Care Act but ruled that the federal government could not compel states to expand Medicaid by threatening to withhold federal money for existing state Medicaid programs. Since this ruling, Pennsylvania leaders have not decided whether to expand the commonwealth's Medicaid program.

The hospital community appreciates this opportunity to consider how this decision will impact the overall health status of Philadelphians; the stability of the health care delivery system; and the economy.

Why Medicaid Expansion Is Important for a Healthier Philadelphia

The hospital community has long advocated for the expansion of health coverage for as many Americans as possible. Having coverage is an important gateway to better health. Insured individuals are more likely to receive needed care at the right time in the right setting, and to have preventive screenings. Insured individuals with complex and chronic illnesses are more likely to manage their care, avoiding an escalation of problems. Healthy people are employable, show up to work, and boost productivity. Healthy children have better rates of success in school.

According to the U.S. Census Bureau's 2009 American Community Survey, about 120,000 adults in the five-county region with incomes at or below 138 percent of the federal poverty level do not have health insurance. Philadelphia alone has 82,000 such uninsured adults. Expanding Medicaid would provide them with health coverage, regular access to routine and preventive health care, and ultimately, better health.

Why Medicaid Expansion Is Important to Hospitals

Hospitals in the city, region, and state share a common mission: to care for all who come through their doors, regardless of insurance or financial status. The question is: When and where will this care be provided? In the emergency room? When lack of health insurance has caused delays in treatment so that a health problem is now a crisis? Or at a routine checkup, in a doctor's office or outpatient setting, when a potential health issue is detected and addressed early on?

Medicaid expansion is important to hospitals because they are dedicated to improving America's health and health care while reducing per capita health care costs. Increasing the number of Americans who have coverage, as envisioned by health reform, is crucial to achieving these goals.

The national hospital community supported the Affordable Care Act, accepting \$157 billion in Medicare and Medicaid payment cuts over ten years in order to help fund the expansion of health coverage. Pennsylvania hospitals' payments are being reduced by \$8.1 billion over ten years. For hospitals in the five-county region of southeastern Pennsylvania, the reduction is \$2.7 billion over ten years.

These agreed-to cuts were predicated on uninsured rates declining, and the expectation that new revenue from insurance coverage expansions would in large part make up for the lost revenue from payment cuts. Absent Medicaid eligibility expansion, hospitals face years of Medicare and Medicaid payment cuts without the offsetting revenue from more patients having coverage. Hospitals will continue to struggle with the high cost of providing uncompensated care to the un- and under-insured—without the important federal dollars that currently help fill the gap.

According to the Pennsylvania Health Care Cost Containment Council, Pennsylvania hospitals already absorb nearly \$1 billion a year in costs associated with caring for the un- and under-insured. Hospitals in southeastern Pennsylvania provide about \$343 million of uncompensated care annually.

Why Medicaid Expansion Is Important to Philadelphia's Economy

Medicaid expansion will improve the health, productivity, and economy of the city, region, and state.

According to a report from the Kaiser Commission, from 2013 to 2022, Medicaid expansion would bring an additional \$38 billion in federal funds to Pennsylvania, including \$17.5 billion in increased hospital payments to help cover the cost of services for the additional Pennsylvanians newly covered by Medicaid. These funds would support increased utilization of health care services, the additional hires and other resources needed to provide those services, and much needed economic stimulus.

As described in a recent report by Families USA and Pennsylvania Health Access Network, Medicaid expansion dollars would have an important *indirect effect* by triggering additional purchasing as they continue to circulate through the economy. These federal dollars would create earnings and jobs for people who are not directly—or even indirectly—associated with health care. For example, newly hired hospital employees might spend their income dining at local restaurants or purchasing new cars. This, in turn, increases the earnings of local restaurants or car dealerships, and so on.

This ripple effect of new money flowing through a state's economy is called the economic multiplier effect. The U.S. Bureau of Economic Analysis recognizes the stimulative effect of hospital spending and has calculated 2.23 as the final demand output multiplier for Delaware Valley hospitals. Every dollar directly spent by hospitals results in an additional \$1.23 spent in other parts of the region's economy. The bureau's 2.17 employment multiplier for hospitals in southeastern Pennsylvania suggests that every hospital job supports more than one additional job in the region.

In addition to this economic stimulus, expanding Medicaid has the added benefit of keeping Pennsylvanians' federal tax dollars here in the commonwealth. If Pennsylvania elects not to expand Medicaid, some of these tax dollars will wind up supporting expansion in other states, providing health coverage and care and strengthening economies elsewhere.

What Happens if Medicaid is Not Expanded?

If Pennsylvania chooses not to expand Medicaid, vulnerable Philadelphians, many of them working poor, will still not have health coverage. Hospitals will spend more caring for these uninsured patients when they turn to emergency rooms with health crises that require intensive health care interventions. The delivery system will be weakened, and hospital services, community benefits, and jobs will be jeopardized, because hospitals will be caring for the same number of uninsured with even fewer federal payments to cover the cost of this care. Instead of supporting the city's meds and eds, as recommended by the Philadelphia Jobs Commission, family-sustaining jobs could be lost. Pennsylvanians' federal tax dollars will go to other states, and they will benefit from better health and health care, as well as economic stimulus, forfeited by Pennsylvania.

Hospitals Support Medicaid Expansion

For the good of the health and economy of the city, state, and region, the hospital community supports expansion.