

Statement of The Hospital & Healthsystem Association of Pennsylvania

For the

House Health Committee

Submitted by

Paula A. Bussard

Senior Vice President, Policy and Regulatory Services
The Hospital & Healthsystem Association of Pennsylvania (HAP)

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Chairman Baker, Chairman Fabrizio, and members of the committee, HAP represents and advocates for the nearly 240 acute and specialty care hospitals and health systems across the state and the patients they serve. We appreciate the opportunity to present the views of hospitals and health systems across the state on expanding Medicaid eligibility pursuant to the Affordable Care Act (ACA). We strongly believe that expanding Medicaid eligibility for uninsured individuals is important to improving the health status of Pennsylvanians and is in the best economic interest of the commonwealth.

Background

Pennsylvania's Medicaid program, known as Medical Assistance, provides health care insurance or coverage to Pennsylvania's most vulnerable citizens. This includes the elderly; persons with intellectual, medical, and/or physical disabilities; pregnant women; children in low-income families; and other individuals who are eligible financially and who do not otherwise have access to health insurance.

The Affordable Care Act, or ACA, was designed to enable uninsured Americans to gain access to health insurance coverage. This is important because uninsured individuals are less likely to have an on-going relationship with a primary care doctor; are less likely to use preventive and screening services; are more likely to delay needed health care; and less likely to get important life-sustaining prescriptions.

Expanding eligibility to Medicaid to individuals with incomes up to 138 percent of the federal poverty level is one of the strategies that were included in the ACA. The other is establishing health insurance exchanges/marketplaces to offer individuals and small businesses with options for health insurance coverage. In Pennsylvania, the individuals that would be eligible for Medicaid under the ACA are generally working at jobs that do not provide health insurance coverage or who are not paid at an amount sufficient to purchase individual health insurance coverage.

Beginning January 1, 2014 and continuing through 2017, the federal government would pay 100 percent of the medical costs for states expanding Medicaid. Then over the next several years (through 2020) the ACA would phase in a state obligation up to 10

percent. Currently, the federal government pays approximately roughly 55 percent of Pennsylvania's Medicaid costs for care and 68 percent for the Children's Health Insurance Program.

Why Medicaid Expansion Is Important to Pennsylvanians

Pennsylvania's hospitals and health systems have long advocated for the opportunities to expand health insurance coverage for individuals and their families. Having health insurance coverage is an important step to better health. Insured individuals are more likely to receive needed health care at the right time and in the right setting. Insured individuals with complex or chronic conditions are more likely to manage their care, avoiding an escalation of health problems. Healthy people are employable, show up to work, and have higher productivity. Healthy children have better success in school.

Pennsylvania has approximately 350,000 individuals with incomes at or below 138 percent of the federal poverty level who are uninsured. Expanding eligibility for Medicaid would provide them with health coverage, regular access to routine and preventive care, and ultimately, better health.

Why Medicaid Expansion is Important to Hospitals

Hospitals, identified in the communities they serve with the blue and white "H," provide care to all who need care regardless of financial or insurance status. Twenty-four hours a day, seven days a week, individuals come to a hospital and receive care. The questions are whether hospital emergency rooms are the most appropriate place to get care for non-emergencies and whether care should only be provided in a crisis? Individuals lacking health insurance may delay getting appropriate treatments and the subsequent treatments and costs may end up being more significant. The individual may then also lose their job, creating a difficult economic cycle to break.

Having health insurance coverage means an individual can get routine care in a doctor's office or at a health center. Potential health issues can be addressed earlier and more cost effectively. Pennsylvania's hospitals and health systems are dedicated to improving the health of our citizens while at the same time mindful of the need for our country to reduce health care spending. Increasing the number of individuals who have health insurance coverage is crucial to achieving these objectives.

The nation's hospitals supported passage of the ACA and accepted \$157 billion in Medicare and Medicaid payment cuts over 10 years to help the federal government fund the expansion of Medicaid and subsidies for those who qualify under the health insurance exchange or marketplace. For Pennsylvania hospitals, this totals more than \$8 billion over the 10 years.

The hospital cuts under the ACA were accepted because of support for individuals to have health insurance coverage. Absent expansion of Medicaid eligibility, hospitals face significant Medicare and Medicaid payment cuts at a time when uncompensated care costs are growing. The most recent data from the Pennsylvania Health Care Cost Containment Council shows that our hospitals absorbed nearly \$1 billion in

uncompensated care costs. Without expansion of Medicaid eligibility many hospitals will struggle with the ability to serve the uninsured and underinsured in their communities. Federal funds for Medicaid expansion are critical to help address these needs.

Why Medicaid Expansion Is Important to the State's Economy

Not only will expanding Medicaid eligibility be important to improving the health of low-income working adults and their productivity, it will also benefit the state's economy.

Three studies conducted this spring by RAND Health, the Pennsylvania Economy League, and the state's Independent Fiscal Office concluded that the positive economic impact of Medicaid expansion will exceed the costs of expansion. The findings from these reports indicate:

- While the total additional cost to the state to expand Medicaid is estimated at \$1.64 billion, the commonwealth stands to receive \$16.5 billion in federal payments. That is a 10:1 return.
- Medicaid Expansion will result in more than \$3 billion annually in positive economic activity, producing a 7-year change in state gross domestic product (GDP) of nearly \$24 billion.
- This expanded economic activity will support 35,000–39,000 jobs.

In addition to the previously mentioned economic benefits, expanding Medicaid eligibility has the added benefit of keeping Pennsylvanians' federal tax dollars here in the commonwealth. If Pennsylvania elects not to expand Medicaid, some of our federal tax dollars will wind up supporting Medicaid expansion in other states, strengthening their economies at our expense.

There is a return on the investment that would be made in expanding Medicaid eligibility. This return is higher rates of health insurance coverage, lower rates of hospital bills going unpaid, greater economic growth, sustained employment in the health sector, and most importantly timely health care for the 350,000 Pennsylvanians who would otherwise lack health insurance coverage.

It is still important to note, however, that even with expanded eligibility for Medicaid, Pennsylvania hospitals will continue to treat individuals lacking health insurance and that hospitals will still be reimbursed by Medicaid at amounts below the actual cost to provide patient care. The substantial benefit to the physical and fiscal health of Pennsylvanians, the commonwealth, and our hospitals merits the Governor and lawmakers working together to use federal resources to provide health insurance coverage to our state's most vulnerable citizens.

What Medicaid Reforms Should Be Considered

In concert with the effort to achieve Medicaid expansion, HAP and its member hospitals and health systems recognize the need to continuing improving Medicaid. We have made the following recommendations regarding Medicaid reforms to the Corbett Administration:

- Pursuing demonstration funding to implement a program for individuals who are dually eligible for Medicare and Medicaid to provide better coordination and oversight of their care. Structuring incentives to foster managed care organizations and health care providers (long-term care, acute care, and physicians) to work together to assure the right care is provided in the right setting and at the right time, should help bring costs down in serving these vulnerable individuals.
- Structuring a benefit package for the adults in the Medicaid expansion program to be comparable to those in the benchmark-equivalent health plan on the exchange/marketplace and contracting with the private Medicaid managed care organizations to provide these services. This would ensure comparable services as are available to other working adults and would foster a private sector approach to care delivery.
- Pursuing in both the fee-for-service program and through managed care innovative payment incentives and strategies, including medical homes for individuals with chronic medical conditions, payment bundling (both acute and post-acute), and other value-based purchasing strategies.

Conclusion

If Pennsylvania chooses not to expand Medicaid eligibility, hard-working, low income adults will still lack health insurance coverage. Hospitals will spend more caring for these individuals when their health needs reach a crisis and they seek emergency care. The hospitals and health systems that serve our state's uninsured population will be weakened and it will be harder for them to serve their communities. Family-sustaining jobs at hospitals and health systems may be lost as hospitals have to address the Medicare and Medicaid cuts that are part of the ACA and federal sequestration. Other states will benefit economically and achieve improved population health as a result of the federal support for Medicaid expansion that Pennsylvania chooses to forego.

We recognize that there are unmet health needs of the Medicaid population now and that existing programs are not adequately funded. However, we believe we can cover many more Pennsylvanians with health insurance coverage without substantially adding to the overall costs of the program. To turn the federal assistance down to broaden eligibility simply undermines our ability as a state to set the stage for the improvements in Medicaid that we know are needed. For appropriate health care for low-income working adults and for the state's economy, we believe expanding Medicaid eligibility makes sense now.

Thank you for the opportunity to present HAP's and the hospital community's views on expanding Medicaid eligibility. HAP looks forward to working with the Administration and the General Assembly on expanding eligibility for Medicaid to enable low-income working adults to have access to health insurance coverage.

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