



December 6, 2016

Mr. Donald J. Trump
President-elect of the United States
1717 Pennsylvania Ave., N.W.
Washington, DC 20006

The Honorable Michael R. Pence
Vice President-elect of the United States
1717 Pennsylvania Ave., N.W.
Washington, DC 20006

Dear President-elect Trump and Vice President-elect Pence:

The American Hospital Association (AHA) and the Federation of American Hospitals (FAH) congratulate you on your victory and stand ready to help as the new Administration and Congress take shape and develop the health agenda moving forward. As you know, hospitals and health systems provide essential medical services and assume a critical public health and safety role across the nation in every single state and congressional district.

We appreciate your commitment to ensuring access to affordable health care for all Americans. We also recognize that you are committed to a thorough reconsideration of the Patient Protection and Affordable Care Act (ACA). At the same time, we value statements you have made about the importance of protecting health care coverage – a goal we strongly support. Health coverage is key to ensuring patients have access to the care they need.

According to reports, it appears that the Congress is moving to reconsider the ACA in the early days of the new year without enacting accompanying legislation specifically guaranteeing similar coverage for those who will lose it. If that approach is taken, we respectfully urge you to also include in such legislation the prospective repeal of funding reductions for Medicare and Medicaid hospital services for patient care that were included in the ACA for purposes of helping fund coverage for the insured. Specifically, we seek your support for the restoration of the Medicare hospital inflation update, as well as Medicare and Medicaid Disproportionate Share Hospital (DSH) payments that support those facilities that take care of high volumes of uninsured, poor and disabled Americans. Restoring these cuts for the future is absolutely essential to enable hospitals and health systems to provide the care that the patients and communities we serve both expect and deserve.

ACA repeal and replace legislation sponsored by Department of Health and Human Services Secretary-nominee Tom Price is an example of providing a “clean slate,” which would protect hospitals from destabilizing cuts that would jeopardize access to high-quality services. In contrast, The Restoring American’s Healthcare Freedom Reconciliation Act of 2015 (H.R. 3762), which passed the Congress, and was ultimately vetoed by President Obama, effectively repealed the coverage and many

other funding provisions of the ACA, but left in place hundreds of billions of dollars in cuts to payments for hospital services originally intended to help fund the coverage that the bill would repeal.

Further, we want to bring to your attention critically important information that we hope will inform the deliberations on ACA repeal and replace. Today, we are releasing two reports prepared by the health care economics consulting firm Dobson | DaVanzo on hospital payment cuts that require the attention of policymakers. The first analysis estimates the financial impact, from 2018 – 2026, on hospitals of repealing the ACA under H.R. 3762 without any replacement. Dobson | DaVanzo finds that the loss of coverage under H.R. 3762 would have a net negative impact on hospitals of \$165.8 billion, after accounting for the restoration of the Medicaid DSH cuts that H.R. 3762 contemplates. Dobson | DaVanzo also finds that hospitals would lose \$289.5 billion in inflation updates if the payment cuts in the ACA are not restored. Finally, Dobson | DaVanzo finds that the full restoration of the Medicare and Medicaid DSH payment reductions would amount to \$102.9 billion. Losses of this magnitude cannot be sustained and will adversely impact patients' access to care, decimate hospitals' and health systems' ability to provide services, weaken local economies that hospitals help sustain and grow, and result in massive job losses. As you know, hospitals are often the largest employer in many communities, and more than half of a hospital's budget is devoted to supporting the salaries and benefits of caregivers who provide 24/7 coverage, which cannot be replaced.

As Dobson | DaVanzo point out in their analysis, the total net losses hospitals would suffer under repeal is nearly 100 percent more than the hospital reductions in the Balanced Budget Act of 1997 (BBA), which was the largest ever reduction in federal payments for services provided by hospitals for patient care. In fact, due to these extreme cuts, hospitals had to cut back staff, services, education, research, investments in new technology, and modernization and upgrading of aging facilities. As a result of this overreach, Congress was compelled to pass several subsequent measures to remediate the BBA's damage. These measures were enacted under both Democratic and Republican administrations. The Dobson | DaVanzo report cautions that "this magnitude of cuts would threaten hospitals' ability to serve their patients and communities."

The second Dobson | DaVanzo analysis estimates the cumulative federal payment reductions to hospital services that have been imposed through other Congressional and Executive Branch actions subsequent to and independent of the ACA. These cuts alone total another \$148 billion from 2010 – 2026, and come on top of the ACA cuts.

As you can appreciate, the cuts detailed above will create challenging and potentially unsustainable financial circumstances that could ultimately reduce patients' care options. And they highlight only part of the problem. A recent analysis by the Congressional Budget Office (CBO), titled "*Projecting Hospitals' Profit Margins Under Several Illustrative Scenarios: Working Paper 2016-04*," also should give policymakers pause as they consider the future of hospital care. The September 2016 report found that, even accounting for the benefits of ACA coverage expansion (which is at risk of repeal), nearly half of all hospitals – between 40 and 50 percent – are likely to suffer negative margins in 2025. The results could be devastating to hospitals and our patients.

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As you begin reconsideration of the ACA, we want to be a constructive partner in this discussion. We strongly believe that any repeal legislation must be accompanied by provisions that protect the coverage for those currently receiving such protection. However, if that is not the legislative path to be pursued, then it is vital that such legislation provide a true clean slate and also include repeal of the reductions in payments for hospitals services embedded in the ACA – specifically the substantial reductions to hospitals’ annual inflation updates and the cuts to Medicare and Medicaid DSH payments. If the coverage associated with the ACA disappears, the importance of these payments would be heightened – they are vital in helping defray the costs of treating our most vulnerable patients.

In addition, restoring these cuts is consistent with Congressional action aimed at repealing a variety of ACA-related taxes that were imposed to help fund coverage expansion. It stands to reason that, if the funding and cost of the ACA is repealed, all sources of funding for that legislation, including cuts to payments for hospital services, should be rolled back as well.

We want to reiterate our commitment to working with you on legislation that achieves our shared goal of improving America’s health care system through patient-centered care, and believe strongly that empowering Americans through health coverage is key to success.

Thank you for your consideration of our views.

Sincerely,

/s/

Richard J. Pollack
President & CEO
American Hospital Association

/s/

Charles N. Kahn
President & CEO
Federation of American Hospitals

CC: The Honorable Paul Ryan
The Honorable Mitch McConnell
The Honorable Nancy Pelosi
The Honorable Charles Schumer