

December 19, 2017

United States Senate
Washington, DC 20510

Dear Senator:

On behalf of the American Hospital Association's (AHA) nearly 5,000 member hospitals, health systems and other health care organizations, and our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – as well as the 43,000 health care leaders who belong to our professional membership groups, I am writing to express our support for the inclusion in year-end legislation of a number of critical policies that impact hospitals and health systems and the patients we serve.

Specifically, we urge Congress to take action on the following policies before the year's end:

- **Funding for the Children's Health Insurance Program (CHIP).** We support extending funding for the CHIP program for five years.
- **Medicaid DSH.** We also support the elimination of reductions in fiscal years (FY) 2018 and 2019 to Medicaid payments for disproportionate share hospitals (DSH).
- **Waiving PAY-GO cuts to Medicare.** We urge Congress to waive PAY-GO to avert Medicare cuts of \$25 billion, in 2018 and for many years thereafter.
- **Preventing cuts to the 340B drug savings program.** We support inclusion of H.R. 4392, which would provide relief from deep cuts to payments to hospitals participating in the 340B program.
- **Extending critical rural programs.** We support straight extensions of the Medicare-dependent hospital (MDH) and enhanced low-volume adjustment (LVA) programs, which expired on Sept. 30. We also support the extension of the Medicare home health rural add-on, which is set to expire on Dec 31.
- **Hospital reductions.** We oppose any policies that reduce payments to hospitals and health systems, including a proposed hospice transfer policy that would result in reductions to hospital reimbursement.

Our concerns are outlined in greater detail below.

CHIP Funding. Hospitals and health systems have supported CHIP since its inception 20 years ago. The program currently covers 8.9 million children with family incomes above Medicaid eligibility limits who lack access to affordable private coverage. The nation's uninsured rate for



children has reached a record low of 5 percent due in part to expanded Medicaid and CHIP coverage. While CHIP is authorized by Congress to operate until Oct. 1, 2019, legislative action is needed to continue funding beyond FY 2017. Failure to extend CHIP funding could result in coverage losses for millions of children and increased financial pressure for states that may lead to reductions in eligibility and benefits.

Medicaid DSH. The Medicaid DSH program is critical to hospitals and health systems that care for our nation's most vulnerable populations – children, the poor, the disabled and the elderly. Congress reduced Medicaid DSH payments in the Affordable Care Act, reasoning that hospitals would care for fewer uninsured patients as health coverage expanded. However, the projected increase in coverage has not been fully realized, and Congress has subsequently delayed the start of cuts that were scheduled to begin in FY 2014. We support elimination of \$2 billion in scheduled Medicaid DSH reductions in FY 2018 and \$3 billion in reductions in FY 2019, thus allowing an important source of funding to continue for hospitals.

PAY-GO Waivers. We are supportive of waiving PAY-GO requirements that would be triggered by the tax bill. This waiver would avert Medicare cuts of \$25 billion, in 2018 and for many years thereafter if the tax bill becomes law. These cuts would come on top of the current 2 percent Medicare sequester. This would likely place an unsustainable financial strain on hospitals and health systems. We strongly urge Congress to pass PAY-GO waivers concurrently with any legislation enacted that triggers PAY-GO cuts.

The 340B Program. The 340B program enables hospitals that serve many low-income and uninsured patients to purchase prescription drugs from drug manufacturers at discounted costs and use the savings to provide a range of comprehensive health services to their local communities. This program has played an important role in helping hospitals stretch already scarce federal resources to expand access to care, enhance community outreach programs and offer unique health services like free vaccines, clinical pharmacy benefits and smoking cessation classes. However, without further action, the Centers for Medicare & Medicaid Services will reduce Medicare payments to many of the hospitals that participate in 340B by nearly 30 percent – even though there is no cost to the federal government. Cuts this severe would dramatically threaten access to care for many patients in communities across the country. We urge Congress to include H.R. 4392, which would prevent these significant cuts from taking effect, in year-end legislation.

MDH and Enhanced LVA Programs. The network of providers that serves rural Americans is fragile and more dependent on Medicare revenue because of the high percentage of Medicare beneficiaries who live in rural areas. Additionally, rural residents on average tend to be older, have lower incomes and suffer from higher rates of chronic illness than their urban counterparts. To both reduce the financial risk and support small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges, Congress established the MDH program in 1987, and has extended it many times. The approximately 200 MDHs are paid for inpatient services using the sum of their prospective payment system (PPS) payment rate plus three-quarters of the amount by which their cost per discharge exceeds the PPS rate. The AHA supports a straight extension of the MDH Program.

Medicare seeks to pay efficient providers their costs of furnishing services. However, certain factors beyond providers' control can affect the costs of furnishing services. Patient volume is one such factor and is particularly relevant in small and isolated communities where providers frequently cannot achieve the economies of scale possible for their larger counterparts. The enhanced LVA seeks to better account for the relationship between cost and volume by providing an add-on payment to qualifying hospitals to help level the playing field for low-volume providers, and sustain and improve access to care in rural areas. Congress has extended the program many times. The AHA supports a straight extension of the enhanced LVA.

Hospital cuts and the Proposed Hospice Transfer Policy. We strongly oppose any reductions to hospitals and health systems in an end-of-year package. Moreover, in 2013, the Department of Health and Human Services' Office of Inspector General (OIG) published a report titled "Medicare Could Save Millions by Implementing a Hospital Transfer Payment Policy for Early Discharges to Hospice Care" that proposed significant and misguided cuts to hospitals. Hospitals discharge patients to hospice care because the hospice setting is the most appropriate for delivering the care they need to meet their health needs and care goals. We believe the OIG's recommendation, and the assumed resulting savings, fail to account for fundamental payment realities in the Inpatient Prospective Payment System, as well as the real-world care that physicians and nurses provide to cancer and other hospice patients. Expanding the post-acute care transfer policy to apply to discharges to hospice is not based on sound policy. Hospitals and their clinician partners take their end-of-life care responsibilities very seriously. The decision to transfer a patient to hospice is a medical and quality of life decision undertaken by the patient, his or her family and their clinical team. This policy would penalize hospitals for respecting patient wishes and working to get them the appropriate care they need, when they need it.

Thank you for addressing these important policy items. We look forward to working with you to enact extended funding for CHIP, elimination of reductions to Medicaid DSH payments, waiving of PAY-GO cuts, continuing the 340B program, extending important rural programs, protecting hospice patients and the hospitals and health systems that serve them while rejecting any reductions to hospitals and their communities.

Sincerely,

Thomas P. Nickels
Executive Vice President