



The Hospital + Healthsystem
Association of Pennsylvania
Leading for Better Health

HAP Update

June 13, 2017



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FEDERAL UPDATE – AMERICAN HEALTH CARE ACT (AHCA)

HAP Priorities

- **Preserve coverage** for more than 1.1 million Pennsylvanians that have benefited from coverage under the ACA
- Ensure all Pennsylvanians have **access to and can secure** comprehensive **coverage**
- Promote **continuous coverage and continuity** of the right care, at the right time, in the right place
- Ensure **stable and sufficient funding for hospitals** to support access to quality care
- Maintain momentum in **delivery system transformation** and innovation

American Health Care Act: Key Provisions

Replaces the ACA individual mandate with a "continuous coverage" incentive (<i>30% penalty if you don't maintain coverage</i>)	Freezes enrollment and phases out enhanced federal funding for Medicaid Expansion	Transitions Medicaid financing to "per capita" funding structure	Replaces ACA subsidies with an advanceable tax credit	Establishes a Patient and State Stability Fund to support states in providing assistance to high-risk individuals
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CBO Projects 23 Million More Uninsured Under American Health Care Act than Affordable Care Act

The number of uninsured people relative to the number of uninsured under current law would rise by:

+ 14
MILLION UNINSURED
BY 2018

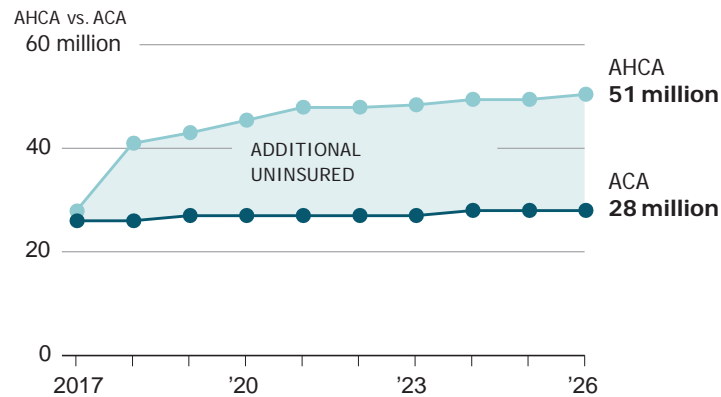
+ 19
MILLION UNINSURED
BY 2020

+ 23
MILLION UNINSURED
BY 2026

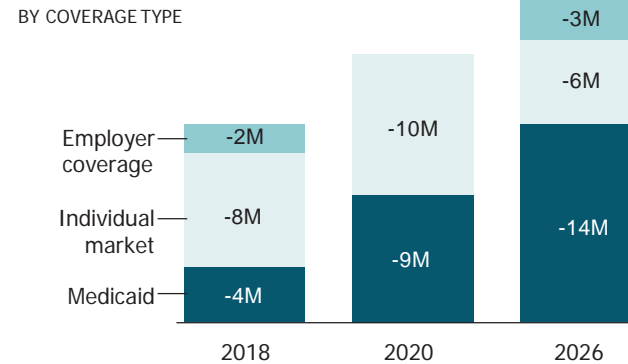
For a total of:
51
MILLION UNINSURED
BY 2026

The total projected uninsured is one million less than the previous CBO projection

Total estimated uninsured from 2017 to 2026



Where reductions in coverage under AHCA are likely to occur



Approximately 23 million more people would be uninsured by 2026, and the deficit would be reduced by \$119 billion over ten years. The CBO's top line figures are roughly similar to its scores for previous versions of the bill, with a slight reduction in both the number of uninsured and the amount of deficit savings in the bill.

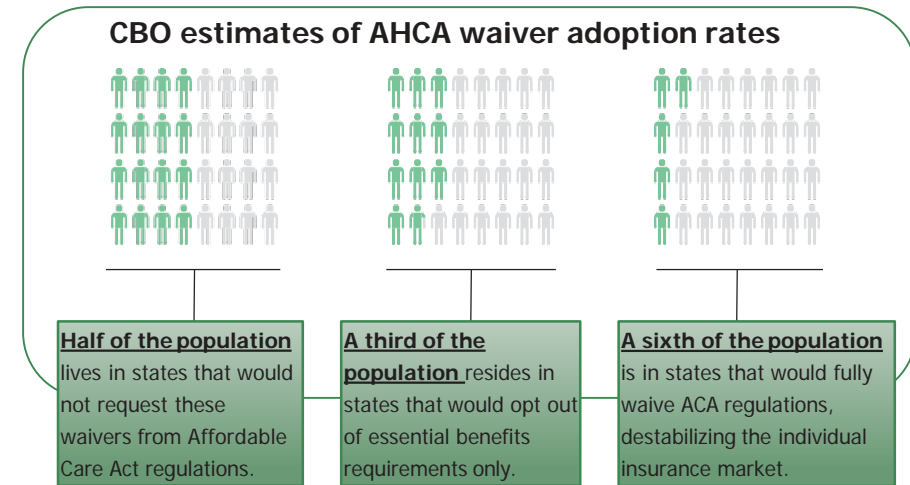
However, the report also suggests that insurance markets could become unstable in some states due to a waiver system added to the bill as a last-minute compromise. The CBO projects that one-sixth of the population resides in states likely to opt out of the ACA's essential benefits and community-ratings requirements. Without those regulations in place, premiums for sicker individuals would rise substantially while premiums for healthier enrollees would fall, effectively negating the ACA's protections for individuals with pre-existing conditions in those states.



CBO Says AHCA Waivers Will Destabilize Some Insurance Markets

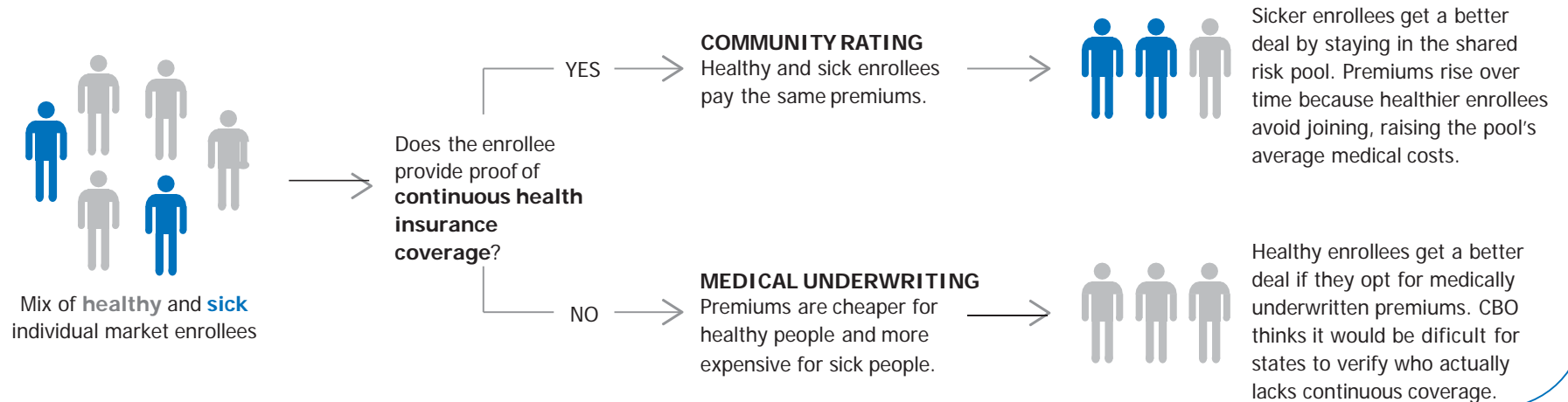
The most significant change to the American Health Care Act since the Congressional Budget Office's earlier score is the addition of a waiver system that would allow states to opt out of Obamacare's regulations. States could opt out of essential benefits requirements and the community rating requirement.

CBO thinks that opting out of essential benefits regulations would reduce insurance premiums by 20 percent, by letting insurers offer skimpier plans that cover fewer benefits. However, CBO says states that also choose to opt out of community rating, which forces insurers to offer health and sick enrollees the same premiums, risk destabilizing their insurance markets because of a loophole in the design of the waiver.



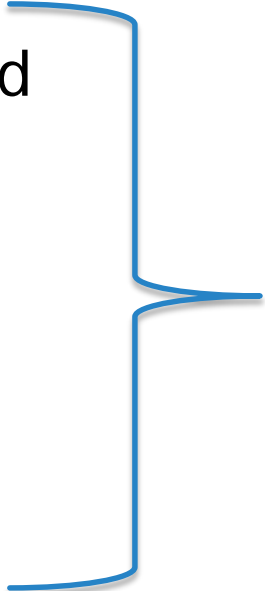
Why CBO thinks community rating waivers will destabilize insurance markets

GOP lawmakers want to let insurers charge sicker enrollees more based on their health conditions if they do not maintain continuous insurance coverage. But the CBO thinks that this would create a loophole for healthy people, who could get cheaper premiums by pretending they lack prior coverage, or by temporarily dropping their previous coverage.



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AHCA: What's at Stake for Hospitals

- Medicaid contraction (expansion phase out and new per capita financing mechanism)
 - Insufficient support through tax credits
 - No replacement of ACA payment cuts
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- Increase in un- and under-insured patients
 - Increase in hospital uncompensated care
 - Destabilization of hospitals' fiscal position
 - Poorer health outcomes for patients

Concerns for Pennsylvania

- CBO score confirms: The AHCA “does not fulfill our core principle that any replacement plan must ensure continuity of coverage and care through access to a robust, competitive delivery system.”
- More than half of Pennsylvania’s 1.1 million individuals who secured coverage under the ACA likely would lose their coverage by 2018, and by 2026, the number of uninsured would likely rise to pre-ACA levels
 - Phases out and erodes Medicaid expansion
 - Tax credits do not sufficiently replace the subsidy structure and disadvantage older, lower income Pennsylvanians
 - Fundamentally weakens the Medicaid program serving 2.8 million children, pregnant women, seniors, individuals with disabilities, and low-income working adults
 - Undermines progress in serving vulnerable patient populations including rural communities, children, and those facing behavioral health and substance abuse challenges
 - Over time, fewer employers may offer health insurance to their employees



Concerns for Pennsylvania (cont'd)

- Fails to safeguard sufficient and stable resources to hospitals, and support a robust delivery system
 - Hospitals will see reduced coverage, yet continue shouldering significant payment cuts that reduce resources to serve the uninsured and under-insured—\$14.9 billion in payment cuts are scheduled for Pennsylvania hospitals through 2026.
 - By law, hospitals must provide services to all—regardless of their ability to pay. Greater numbers of uninsured and underinsured will drive up charity care and bad debt after their first drop (9%) in 15 years.
 - The percent of PA hospitals with negative operating margins would increase from 29 percent to up to 41 percent (*based on the Medicaid expansion phase-out alone*).



Concerns for Pennsylvania (cont'd)

- Places significant fiscal pressure on the state
 - Pennsylvania has estimated a \$2.5–\$3 billion loss in funding for as a result of freezing Medicaid expansion enrollees and cycling or churning off those currently benefiting from coverage.
 - The potential state response to per capita caps could be: cutting eligibility, limiting benefits, reducing provider reimbursement rates, increasing taxes, or state budget cuts to cover the funding gap left by the federal government.
 - The Patient and State Stability Fund, intended to help states lower the cost of care for high-need patients and stabilize the insurance markets, will require a significant state match. With an already strained budget, it is unclear if the state could dedicate the resources.
 - The state has cautioned cuts to public health funding would impact services and supports provided by state and local health agencies.



U.S. Senate Preliminary Reform Principles

- ▶ Medicaid expansion financing to roll down in roughly 5 years
- ▶ More dollars for opioid funding
- ▶ Yet-to-be determined provisions on Medicaid flexibility
- ▶ Subsidies
- ▶ Anti-abortion language
- ▶ Market place stabilization
- ▶ Partial repeal of Obamacare taxes



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Administration Priorities and Activities

➤ **President Trump's priorities for health care:**

- Repeal and replace the Affordable Care Act
- Advance research and development in health care
- Reform the Food and Drug Administration
- Provide maximum flexibility for states in administering Medicaid
- Modernize Medicare for sustainability

➤ **Actions:**

- Executive Order to minimize economic burden of the Affordable Care Act
- U.S. Health and Human Services Secretary Tom Price has stated that he is obligated to enforce the law, but the law allows the Secretary to interpret elements of the law
- Issued letter to governors to encourage them to take advantage of waiver flexibility to adopt innovations



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STATE UPDATE

State Budget Update

➤ State Budget

- MA Supplemental funding at risk

- Trauma \$1.298
- Burn \$567,000
- OB Neonatal \$552,000
- CAH \$ funded at last years level, increase needed for an additional facility

➤ State Agency Consolidation Update (\$90 million)

- Department of Human Services
- Department of Aging
- Department of Health
- Department of Drug and Alcohol Program

= DEPARTMENT OF HEALTH AND HUMAN SERVICES

HAP Legislative Priorities

➤ Telemedicine

- HAP is working with legislative champions to craft legislation to be introduced in the 2017–2018 session that would:
 - Define telemedicine
 - Ensure necessary patient protections are in place
 - Require insurers to reimburse hospitals and physicians for telemedicine services

➤ Advanced Practice Nursing

- Senate Bill 25 (Bartolotta)

HAP Legislative Priorities

- Protecting Health Care Practitioners
 - House Bill 646 (Ward)/Senate Bill 445 (White)

- Physician Credentialing Reform
 - House Bill 125 (Baker)
 - Current credentialing process is slow and cumbersome
 - It does not require credentialing decisions to be made within a specific time frame
 - It places an unnecessary administrative burden on hospitals and other practitioners by requiring them to complete a multitude of long and redundant credentialing forms

HAP Legislative Priorities

- Emergency Department Health Care Provider Reform
 - Clear and Convincing Evidence to determine gross negligence
- Nurse Staffing
 - Engaging Pennsylvania's nurse community to determine effective strategies, including nurse staffing, to continue improving hospital safety and equality

Pennsylvania's Opioid Crisis



- Drug overdose deaths across the state increased 30 percent last year, according to the recent report from the Pennsylvania State Coroners Association. The report documents 3,505 overdose deaths in 2015—up sharply from 2,489 in 2014. On average, ten Pennsylvanians die every day from drug misuse.

2017—2018 Legislative Session

- Over 35 proposed bills aimed at addressing the opioid crisis
- Examples
 - [HB 825](#) (Heffley) – Requires DHS to develop and administer an internet-based psychiatric and detoxification bed registry to collect information about available beds
 - [HB 713](#) (Baker) and [SB 391](#) (Costa) – Amends the Mental Health Procedures Act to establish that a drug overdose represents a clear and present danger for involuntary commitment
 - [HB 353](#) (Nesbit) – Mandates the electronic prescribing of opioid medications as a means to prevent diversion due to handwritten prescriptions
 - [HB 118](#) (Kaufer) – Encourages existing health care facilities to convert beds to provide medically supervised detoxification and creates a staging area for people who are in need of developing a high-quality treatment program, who may still be in search of an available bed
 - [SB 428](#) (Bartolotta) – Ensures a comprehensive and patient-centered focus for the treatment of opioid dependence in all treatment settings and requires programs to follow best practices in providing individualized care to each patient



Questions & Answers



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