



Charles N. Kahn III
President and CEO

May 23, 2017

The Honorable Orrin Hatch, Chairman
Senate Committee on Finance
Washington, DC 20510

Dear Chairman Hatch,

Thank you for the invitation to provide comments to you and the Senate Finance Committee regarding your work on patient-centered reforms to our nation's health care system. As the national representative of more than 1,000 investor-owned or managed community hospitals and health systems in urban and rural America, the Federation of American Hospitals (FAH) appreciates your commitment to the inclusion of hospitals and other caregivers in this process.

It is particularly vital that hospitals have a voice. Hospitals are on the frontlines of care in communities across America, and because our doors are open 24/7 for all who enter, for those without insurance hospitals are tantamount to the insurer of last resort.

According to new data recently released by the Centers for Disease Control and Prevention (CDC), America's uninsured rate stands at approximately 9 percent – a record-low rate and a remarkable achievement. As a nation, it is important that so many Americans have the opportunity to obtain meaningful, affordable health insurance and the peace of mind that comes with it, including routine access to health care.

As the Congress considers repeal and replace of the Affordable Care Act, we hope you will focus your attention on sustaining the protections people have today, including coverage gains in the individual market and Medicaid, while you explore opportunities to expand coverage to those Americans who continue to lack it.

Along those lines, the FAH has adopted a set of core principles, described below, on Medicaid, financial assistance in the individual insurance market, coverage, Medicare hospital payment, and employer sponsored coverage - principles which we hope the Senate will follow, and which will guide our consideration of proposed legislation.

Medicaid

Medicaid structural and financing reforms should not be used as a vehicle to reduce Federal spending, but to give states appropriate freedom and flexibility to manage their

programs more efficiently, and to provide coverage to low-income citizens of their state. As such, the FAH cannot support proposals to impose per-capita-caps or block grants on the Medicaid program which will be vehicles for arbitrary reductions in coverage and care for those most in need.

We support providing states with the option to maintain their decision to expand Medicaid eligibility and the current Federal matching payments for that expansion population. In those thirty-one states that have elected to expand, among other benefits they have experienced, the uninsured rate has dramatically declined, previously uninsured citizens now have routine access to care, state budgets have improved, and hospital finances have improved enabling them to better serve their communities. In short, Medicaid expansion needs to be sustained for the low-income Americans helped by it as well as the caregivers that serve them.

Financial Assistance

We must have a vibrant, well-functioning individual insurance market that offers affordable coverage, assists lower-income and elderly Americans to purchase a plan, and encourages younger Americans to participate. Key to achieving that goal are tax credits that reflect the reality individuals and families face in the marketplace and adjust for income, geography, and age. Proposals that base credits on age alone fall short of the mark and are likely to result in financial assistance that is insufficient to help individuals and families make premium payments.

In addition, it is imperative that Congress support the cost-sharing reduction payments that enable moderate- and low-income Americans to satisfy their out-of-pocket expenses. Millions of patients depend on these payments to remove a potential barrier to care. Without them, the value of health insurance is substantially diminished.

Health Insurance Coverage

Legislation should maintain coverage that is sufficient for Americans to meet their medical and behavioral health needs. That can only be achieved by ensuring access to the kind of clinician and hospital services that Americans depend on and which anyone with insurance should reasonably expect. In addition, the cost of that coverage should not be prohibitive or discriminate due, for example, to an individual's age or pre-existing health condition.

Medicare Hospital Payment Reductions

Medicare hospital cuts, especially those imposed through arbitrary and permanent "productivity adjustments" will total some \$300 billion over the next ten years and will make it much more difficult for hospitals to continue to serve our senior citizens, as well as the likely growing number of uninsured Americans if the American Health Care Act becomes law. It is important to keep in mind that these cuts were imposed for the same reason taxes were imposed – to finance coverage expansion. In that sense, the cuts are no different than the taxes that AHCA rescinds, and should be rolled back accordingly.

As the CMS Actuary has repeatedly warned, the productivity adjustment is unsustainable over time even with the full coverage expansion envisioned under ACA. And it is a big reason why the CBO has estimated that between 40-50 percent of hospitals will experience negative margins in 2025. It is also a contributing cause to MedPAC's recent


projection that Medicare hospital payments will fall ten percent below the cost of care in 2017, the lowest such margin on record.

Employer-Sponsored Insurance

Employer-sponsored insurance should not be weakened and must remain a cornerstone of coverage for working Americans. The majority of Americans receive their insurance through their employers and are generally satisfied with that coverage. It is therefore alarming that the CBO estimates that the AHCA would result in an erosion of that coverage with an estimated seven million Americans losing their employment-based coverage. Legislative efforts should seek to build on employer-based coverage, not weaken it.

We are grateful for the opportunity to share with you the perspective and experience from the hospital community. The FAH stands ready to work with you and your colleagues to help construct health care legislation consistent with these principles, which will enable us to achieve the goal we share – patient-centered health care that works for all Americans and hospitals that are there to care for them.

Sincerely,



A handwritten signature in black ink, appearing to be 'M. A. H.', is written above a solid horizontal line.