AMERICA'S ESSENTIAL HOSPITALS

Discussion Points Regarding Changes in Uninsured Patient Population

Essential Hospitals in Support of Coverage Expansion

- We remain a strong advocate for expanding health insurance coverage and reducing the ranks of the uninsured.
- We're encouraged by early reports of fewer uninsured patients in some markets.
- This is promising news for us and other hospitals that have worked to enroll the uninsured in new coverage opportunities under the Affordable Care Act.
- Having been on the front lines of enrollment, we welcome reports that this work has made a difference.
- But we are not ready to declare "mission accomplished."
- These reports, while encouraging, are largely anecdotal—we must understand in a more comprehensive, evidence-based way how the coverage picture is changing.
- We know that many millions more people will remain uninsured, now and over the next decade.
- The Congressional Budget Office's latest estimate continues to project as many as 31 million people will remain uninsured by 2024.
- This is an ongoing area of concern for hospitals.

In the Context of Medicaid Expansion

- In half our states, many millions of people are denied the same opportunity for Medicaid coverage so many others enjoy today.
- Nationally, according to estimates from America's Essential Hospitals, the shortfall in Medicaid expansion will cost all hospitals $53 billion more in uncompensated care than they would have experienced had all states expanded.

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- Even in expansion states, hospitals must still cope with Medicaid payment rates that fail to cover the true cost of care.

- Also, some expansion states have imposed increased cost-sharing on Medicaid recipients—Iowa, Arkansas, Arizona, and Michigan, for example.

- Studies show that imposing cost sharing, such as monthly premiums, can reduce enrollment ("Raising premiums and other costs for Oregon health plan enrollees drove many to drop out." *Health Affairs,* December 2010)

- This could lead to a continued rise in the number of uninsured in some states and additional cost pressures on hospitals.

- Also, the ACA will fail to reach the nation's more than 11 million undocumented immigrants. Even with other sources of coverage, such as employer-sponsored plans, more than 60 percent will remain uninsured in 2016, according to estimates (Source: Gruber MicroSimulation Model, 2012.)

- As frequent providers of care for undocumented immigrants, essential hospitals will continue to need federal and other support for these uncompensated services.

- For these reasons, we must not lose sight of the need to support vulnerable patients by supporting the hospitals that care for them.

Medicaid Disproportionate Share Hospital Payments

- But a critical source of support—Medicaid disproportionate share hospital (DSH) payments—is threatened.

- Although reductions in DSH payments mandated by the ACA have been delayed, deep cuts to this lifeline for essential hospitals remain on the horizon.

- From fiscal years 2017 to 2024, DSH cuts will total more than $35 billion.

- As soon as fiscal 2018 and for many years after, the cuts will be nearly half of current spending levels.

- Even with increases in coverage, these cuts are simply unsustainable.

- Recent *Health Affairs* research using California as a case study conclude that ACA coverage expansion may fail to match ACA DSH reductions. ("Disproportionate-Share Hospital Payment Reductions May Threaten the Financial Stability Of Safety-Net Hospitals," *Health Affairs,* June 2014.)

- That gap will result from medical cost inflation, low Medicaid payment rates, and the high number of people who will remain uninsured, researchers said.

- The study found that California public hospitals' total DSH costs will increase from $2.044 billion in 2010 to $2.363 to $2.503 billion in 2019, with unmet DSH costs of $1.381 billion to $1.537 billion.

- Recent legislation to delay damaging DSH cuts required annual studies of the need for DSH payments—this is the sort of information we need to make rational decisions on the continuing need for federal support of essential hospitals.

In the Context of Marketplace Plans

- Although the ACA provides subsidies to help low-income enrollees afford the cost of monthly insurance premiums, this assistance will not be enough for those with limited financial means.

- A 2011 Commonwealth Fund study found that some low-income families, particularly in high-cost areas, will not have room in their budgets to purchase marketplace insurance and pay the required cost-sharing—even after accounting for the subsidies. ("Realizing Health Reform's Potential: Will the Affordable Care Act Make Health Insurance Affordable?" April 27, 2011.)

- In non-expansion states, marketplace coverage will almost certainly be unaffordable for people below 100 percent of the poverty level because these individuals will not be eligible for federal subsidies.

- Our patients face other challenges, as well: in some areas, for example, qualified health plans offered through the marketplaces have excluded our hospitals or placed them in higher cost-sharing tiers.

- So, some patients may gain coverage, but lose the continuity of care they've received from our members.

- Or, they may forgo care altogether if forced to seek services from distant or unfamiliar providers.

- Others may lose coverage altogether because they can't afford their premiums, even with public subsidies.

- This will be particularly challenging for patients who churn off Medicaid coverage as their financial status improves. They may land in plans with burdensome cost-sharing requirements that inhibit access to care.