



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

February 8, 2017

Dear Member of the CA Delegation:

On behalf of the more than 400 hospitals and health systems in California, we urge you to consider the impact of health care policy decisions on the communities you represent as the 115th Congress deliberates the future of the Affordable Care Act (ACA) and the Medicaid and Medicare programs.

We believe now is an important opportunity to amend and modify the ACA to address issues of concern. Efforts should be made to build upon coverage, essential consumer protections, and delivery system reforms embraced by providers to improve health and health care for all Californians. Your efforts will support hospitals' and other providers' to innovate and develop some of the most high-quality, efficient care models in the nation.

Repeal of the ACA, in whole or in part, should only be pursued if replacement is simultaneous and *meaningful*:

- for insured Americans in the form of affordable, robust, and continuous health coverage;
- for the State of California and its counties that jointly support Medicaid;
- for the public and their access to services; and
- for hospitals and health systems to rely on predictable and adequate payments that promote the continued transformation of the health care system.

Repeal of the ACA, in whole or in part, without simultaneous, meaningful replacement, would:

- upend coverage for nearly five million Californians;
- destabilize insurance markets, particularly the individual market;
- cause a fiscal crisis for the state and localities;
- profoundly undermine hospitals' ability to provide access to quality care in the communities they serve; and,
- derail continued efforts to find innovative ways to managing and coordinating the health care delivery and financing system in ways that reduce costs and improve the quality of care.

Prior plans to partially repeal the ACA, that did not become law, would have repealed the coverage expansions, but left in place the Medicare cuts to health care providers originally designed to offset the cost of coverage expansion. If such a strategy were enacted now, California hospitals and health systems would be subject to more than \$50 billion in Medicare and federal Medicaid cuts over the next ten years without the benefit of coverage expansion.

Hospitals and health systems in California are making great strides in transforming care delivery to reduce costs while improving quality. This transformation requires substantial investment, long-term commitment, reconfiguration of care delivery, and accepting risk and responsibility for health care in communities. ACA repeal without replacement would upend the financial stability of hospitals and their patients.

In addition to providing needed care, 24/7/365, to all patients, California hospitals are a major force in their local economies and often are one of the most important employers in their communities. With more than 430,000 full time equivalent employees, hospitals in California make a direct contribution of \$110 billion in economic activity each year, or a total economic impact of about \$275 billion, in addition to contributing significant tax dollars to local, state, and federal governments.

We are troubled by the proposal that federal support for the Medicaid program would be dramatically reduced in conjunction with proposals such as block grants or per capita payments. Federal support and adequate reimbursement from Medicaid and the Children's Health Insurance Program (CHIP) are essential.

California hospitals, health systems, and other health care providers have a proven track record of providing high-quality care to Medicaid beneficiaries while reducing Medicaid expenditures. Maintaining a federal-state Medicaid partnership and preserving non-federal share funding for Medicaid are necessary to make Medicaid programs viable.

Medicare has undergone tremendous change since the implementation of the ACA, linking payment for care with quality performance and outcomes under a variety of value based payments or pay-for-performance programs, voluntary Shared Savings Programs, and voluntary and mandatory bundling programs. These reforms are shifting the way care is provided and thoughtful implementation of these programs is important.

Underlying these new programs are traditional and critical components of how Medicare reimburses hospitals and health systems for care provided to Medicare beneficiaries. A shortage of physicians exists throughout most communities in California, emphasizing the need to increase Medicare support for Graduate Medical Education. Small and rural hospitals rely upon a variety of Medicare programs to ensure that access to care in rural communities is preserved. Further, Medicare and Medicaid Disproportionate Share Hospital payments are critical to helping cover the cost of uncompensated care and the growing shortfall between the cost of providing care and the government payments.

Thank you for your consideration. As members of the California Hospital Association Board of Trustees and the hospitals in your district we stand ready to work with you as you consider these important health care policies.

Sincerely,



C. Duane Dauner
President/CEO
California Hospital Association



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