American Hospital Association™
Advancing Health in America

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May 22, 2019

The Honorable John Yarmuth
Chairman
Committee on Budget
United States House of Representatives
204-E Cannon House Office Building
Washington, DC 20515

Dear Chairman Yarmouth,

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the Committee holding this hearing on the Congressional Budget Office's (CBO) Key Design Components and Considerations for Establishing a Single-Payer Health Care System.

America's hospitals and health systems are committed to the goal of affordable, comprehensive health insurance for every American. However, "Medicare for All" is not the solution. Instead, we should build upon and improve our existing system to increase access to coverage and comprehensive health benefits.

Our detailed comments follow.

THE IMPORTANCE OF HEALTH COVERAGE

Meaningful health care coverage is critical to living a productive, secure and healthy life. Studies confirm that coverage improves access to care; supports positive health outcomes, including an individual's sense of their own health and wellbeing; incentivizes appropriate use of health care resources; and reduces financial strain on individuals and families.[i] Coverage has broader community benefits as well, from ensuring adequate resources to maintaining critical health care infrastructure to being associated with decreased crime. We, therefore, appreciate Congress' focus on opportunities to close the remaining coverage gaps and achieve comprehensive health coverage for every American.

Despite recent coverage gains, approximately 9 percent of the U.S. population remains uninsured, a number that has increased over the past two years. The remaining uninsured tend to be young adults, disproportionately Hispanic, and workers in lower-income jobs. Many of the uninsured are likely eligible for but not enrolled in subsidized coverage, including through Medicaid, the Health Insurance Marketplaces or their employers. For example, millions of the lowest income uninsured could be covered if all states expanded Medicaid.

MAY 2019 CBO REPORT

We appreciate the CBO looking at the possible components of a single-payer system and their potential impact on health care in the United States. As the report makes clear, establishing a single-payer system would be a "major undertaking that would involve substantial changes in the sources and extent of coverage, provider payment rates, and financing methods of health care in the United States."

The report notes there are several potential ways that providers could be paid under a single-payer system, including fee-for-service, bundled payments, global budgets or capitated payments. The report also notes there are multiple ways payments could be determined, including administered rates and negotiated rates. The report raises the point that this change in provider payments would have "important implications" for "providers' revenues." We detail additional information on the potential impact to hospitals and health systems below.

Similar to considerations raised in the report, we believe close attention needs to be paid to payments that are made to hospitals that have a higher percentage of low-income patients and to graduate medical education (GME) payments. This funding provides essential financial assistance to hospitals that care for our nation's most vulnerable populations and provide critical community services, such as trauma and burn care. Additionally GME funding ensures there are an adequate supply of well-trained physicians.

The CBO report details possible implications of paying providers Medicare rates in a single-payer system and states "such a reduction in provider payment rates would probably reduce the amount of care supplied and could also reduce the quality of care." The instability of changes to the health care system with a "Medicare for All" type system could have the unintended impact of jeopardizing access to care for everyone. We would urge caution in moving forward with any system that would decrease availability of care or add to the length of time for availability of service – particularly in rural or undeserved areas.

GOVERNMENT-RUN, SINGLE-PAYER MODEL IS THE WRONG APPROACH

While the AHA shares the objective of achieving health coverage for all Americans, we do not agree that a government-run, single-payer model is right for this country. Such an approach would upend a system that is working for the vast majority of Americans, and throw into chaos one of the largest sectors of the U.S. economy.

Indeed, payment under existing public programs, including Medicare and Medicaid, historically reimburse providers at less than the cost of delivering services. For example, Medicare paid only 87 cents for every dollar spent by hospitals caring for Medicare patients in 2017 – a shortfall of $53.9 billion. Chronic underpayment can lead to access issues for seniors as some providers, especially physicians, may limit the number of Medicare patients they take or stop seeing them altogether. Indeed, hospitals and health systems only are able to stay open today to the extent commercial coverage makes up for the losses sustained providing care to beneficiaries of public programs. Congress' own advisory group, the Medicare Payment Advisory Commission (MEDPAC), reported in its March 2018 report that hospitals had a negative 9.6 percent Medicare margin in 2016, on average, and projects that hospital Medicare margins will decline to negative 11 percent in 2018, the lowest such margin ever recorded.

Results from a recent study give some idea of the financial impact a single-payer program based on Medicare rates could have on the health care system. The study found that a proposal to create a government-run, Medicare-like health plan on the individual exchange could create the largest ever cut to hospitals – nearly $800 billion – and be disruptive to the employer-sponsored and non-group health insurance markets, while resulting in only a modest drop in the number of uninsured as compared to the 9 million Americans who would gain insurance by taking advantage of building upon the existing public/private coverage framework. This coverage proposal would enroll significantly fewer people than a single-payer model, and yet the reimbursement cuts would be catastrophic.

Even if the proposed single-payer program increased reimbursement rates above Medicare's rates, our members' experience suggests that the government does not always act as a reliable business partner. Delays in payment and retroactive changes to reimbursement policies leave providers at risk of inadequate payment. Politicization means that providers cannot always trust that the rules of today will be the rules of tomorrow, which presents a challenging – if not impossible – environment for large, complex organizations. Recent examples of the uncertainty of working with government include the defunding of critical elements of the Health Insurance Marketplaces, including outreach and education, and raids on the Medicare and Medicaid programs to offset spending on other priorities.

We also are deeply concerned that a single-payer model would seriously distract from the important delivery system reform work underway. Hospitals and health systems have invested billions of dollars in technology and delivery system reforms to improve care, enhance quality and reduce costs. Moving to a single-payer model could stymie these efforts by, at best, diverting attention and, at worst, being deemed irrelevant if the government can simply ratchet down provider rates to achieve spending objectives.

Finally, moving to a single-payer model would be highly disruptive not only to health coverage, but also to the broader economy. Approximately 90 percent of Americans are currently enrolled in comprehensive coverage with high rates of satisfaction. Not only would this move more than 250 million people into some new form of coverage, it could radically alter the coverage of the more than 55 million people currently enrolled in the

Medicare program, including the tens of millions who have voluntarily opted to enroll in Medicare Advantage, which would no longer exist.

WAYS TO PROMOTE BETTER CARE FOR AMERICA

Health coverage is too important to risk such levels of disruption. The better path to achieving comprehensive coverage for all Americans lies in continuing to build on the progress made over the past decade. To advance our objective of covering all Americans, we support:

- Continued efforts to expand Medicaid in non-expansion states, including providing the enhanced federal matching rate to any state, regardless of when it expands. This would give newly expanded states access to three years of 100 percent federal match, which would then scale down over the next several years to the permanent 90 percent federal match.

- Providing federal subsidies for more lower- and middle-income individuals and families. Many individuals and families who do not have access to employer-sponsored coverage earn too much to qualify for either Medicaid or marketplace subsidies and yet struggle to afford coverage. This is particularly true for lower-income families who would be eligible for marketplace subsidies except for a "glitch" in the law that miscalculates how much families can afford. We support both expanding the eligibility limit for federal marketplace subsidies to middle-income families and fixing the "family glitch" so that more lower-income families can afford to enroll in coverage.

- Strengthening the marketplaces to improve their stability and the affordability of coverage by reinstituting funding for cost-sharing subsidies and reinsurance mechanisms and reversing the expansion of "skinny" plans that siphon off healthier consumers from the marketplaces, driving up the cost of coverage for those who remain.

- Robust enrollment efforts to connect individuals to coverage. The majority of the uninsured are likely eligible for Medicaid, subsidized coverage in the marketplace or coverage through their employer. We need an enrollment strategy that connects them to – and keeps them enrolled in – coverage. This requires adequate funding for advertising and enrollment efforts, as well as navigators to assist consumers in shopping for and selecting a plan.

We also must ensure the long-term sustainability of Medicare, Medicaid and other programs that so many Americans depend on for coverage.

CONCLUSION

The AHA appreciates the Committee holding this hearing and we look forward to working with Congress on this important issue. We believe we should come together and build upon and improve our existing system to increase access to coverage and comprehensive health benefits.

Sincerely,

/s/

Thomas P. Nickels
Executive Vice President

Cc: The Honorable Steve Womack

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[i] American Hospital Association, "The Importance of Coverage," November 2018. https://www.aha.org/system/files/media/file/2019/04/report-coverage-overview-2018.pdf