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Analysis by the Pennsylvania Health Funders Collaborative (PHFC) uncovers several negative economic impacts that passage of the American Health Care Act (AHCA) would have in Pennsylvania:

- \$3 billion per year in reduced federal funding, starting in 2020, due to changes in federal funding to per capita caps without allowances to alter coverage, service, and payment requirements imposed by federal law.
- Two-thirds of currently enrolled Medicaid participants will lose the enhanced federal funding match before 2020, costing Pennsylvania over one billion a year more to continue their coverage.
- Hospitals will see a dramatic increase in charity care and bad debt coupled with a decrease in net patient revenue and lower operating margins. (See <http://www.pahealthfunders.org/upload/ACA%20Hospital%20Fiscal%20Report.pdf>.)
- Estimated loss of 84,900 Pennsylvania jobs by 2026, triggering \$8.9 billion decrease in gross state product by 2026. (See: <http://www.commonwealthfund.org/~media/files/interactives-and-maps/2017/aca-job-loss/pennsylvania.pdf?la=en>; and <http://www.pahealthfunders.org/upload/MEDICAID%20EXPANSION%20PRESS%20RELEASE%20PEL%20FINAL.pdf>.)

About the Pennsylvania Health Funders Collaborative (PHFC)

PHFC strives to improve the effectiveness of health funders' initiatives by collaborating, networking, sharing best practices, and creating a unified voice among funders working in communities across Pennsylvania. Founded in 2007, PHFC is a respected source of non-partisan information for policymakers and a strong collaborative of health funders working towards a shared aim of enhancing vulnerable populations' access to high-quality and cost-effective health services.

PHFC conducted research on the potential impact to Pennsylvania of the Affordable Care Act (ACA or Obamacare) repeal and replace legislation. Using public source data from the Pennsylvania Health Care Cost Containment Council, Pennsylvania Department of Human Services, and analyses from other public sources, PHFC seeks to educate our elected officials about the facts and structures embedded in the AHCA. Through our analysis, we conclude that the currently proposed legislation will have a negative economic impact on the Commonwealth of Pennsylvania and particularly to the 700,000 Pennsylvanians currently enrolled in the Medicaid Expansion.

Per capita caps will result in \$3 billion less a year in Medicaid funding in Pennsylvania

Analysis of data publicly available from the PA Governor's Office and the Department of Human Services shows that the proposed per capita caps under the AHCA will reduce Medicaid federal funding to Pennsylvania by \$3.4 billion in 2020, with similar amounts thereafter. Ninety-one percent of Medicaid funding provides health care for children, persons with disabilities, and the elderly, who will be most impacted by these cuts in federal funding. Because the federal mandates continue despite the federal funding cuts, Pennsylvania will either have to make up the difference with state funds and/or cut where they can under existing Medicaid rules. This may include cutting optional populations (people with disabilities and the elderly receiving services under waivers) or eliminating optional services that are now covered (e.g., prescription drugs, inpatient and outpatient rehab for adults, durable medical equipment). The only other alternative is to take the block grant option in AHCA for certain children and non-Expansion adults, so that the state can have waiting lists and cut existing benefits.

The issue with the extension of enhanced federal funding for the Medicaid Expansion population until 2020

Through enhanced federal funding for the Medicaid Expansion population until 2020, the federal government is paying 90% and the state is paying 10% for the 700,000 Pennsylvanians who received health care coverage through Medicaid Expansion. If AHCA becomes law, this enhanced funding will only be available until 2020 for those *who have no break in coverage during that time*. The federal Office of Management and Budget (OMB) estimates that two-thirds of Medicaid Expansion enrollees will have breaks in coverage between now and the end of 2019. This means the State would have to pick up substantial increased coverage costs before the 2020 transition from the 90% federal matching rate to Pennsylvania's lower 51.82% match rate, which is used for non-Expansions Medicaid population. It would cost Pennsylvania over one billion a year to continue providing health care for the Expansion population that has a break in coverage. This is almost four times as much as the State pays at present.

Loss of financial gains by Pennsylvania's 168 acute care hospitals.

The ACA has benefitted not just the health of individuals, but also the health of most of the 168 acute care hospitals on which all Pennsylvania citizens rely. This will end under the AHCA. An analysis conducted by PHFC from data collected annually by the Pennsylvania Health Care Cost Containment Council shows that:

- The bottom lines of all Pennsylvania acute care hospitals combined improved by \$5.3 billion between 2014 (before Medicaid Expansion) and 2016 (when Medicaid Expansion was in effect for the full year).
- Medicaid Expansion was critical to the improvement in hospitals' bottom lines. The Medicaid share of Pennsylvania hospitals' net patient revenue from 2014 to 2016 increased by 19.2%.
- This bottom line improvement equated to an increase in operating margins for these hospitals from an average of 4.25% in 2015 to 5.94% in 2016 – a growth of nearly 40%.
- Charity care was reduced by \$501.2 million (a 23.2% reduction)
- Bad debt was reduced by \$331 million (a 16,1% reduction)
- Net patient revenue increased by \$4.4 billion (an 11.8% increase)

(See <http://www.pahealthfunders.org/upload/ACA%20Hospital%20Fiscal%20Report.pdf>.)

These financial gains by hospitals will be lost if AHCA becomes law.

Negative impact of the AHCA on employment and the economy.

According to analysis prepared by the Milken Institute School of Public Health at The George Washington University, Pennsylvania can expect to lose nearly 84,900 jobs by 2026 (see: <http://www.commonwealthfund.org/~media/files/interactives-and-maps/2017/aca-job-loss/pennsylvania.pdf?la=en>). Hospitals are major employers and economic drivers in many rural Pennsylvania counties. Job loss will result in a decrease in tax revenues across the Commonwealth potentially negatively impacting rural communities more than the anchor cities, such as Philadelphia, Pittsburgh, Allentown, and Scranton.