WISCONSIN HOSPITAL ASSOCIATION, INC.

March 20, 2017

The Honorable Scott Walker
Office of the Governor
East Wing, Wisconsin State Capitol
Madison, WI 53702
HAND-DELIVERED

Dear Governor Walker:

The Wisconsin Hospital Association (WHA) appreciates the ongoing partnership we have with your Administration, and your dedication and commitment to high quality health care in Wisconsin. As our Governor and Chair of the Republican Governor's Association, we value the leadership you bring to current discussions of the American Health Care Act (AHCA). WHA members are concerned about the impacts for Wisconsin, for the coverage expansion your policies achieved, and for ongoing sustainability of the Medicaid program.

Since 2014, under the "Wisconsin Model" for health care, including with the reforms you enacted and we partnered with you to implement, Wisconsin achieved a 38% reduction in our uninsured rate. Wisconsin successfully expanded Medicaid coverage to some 130,000 childless adults who have income below poverty. Because this expansion did not meet the Obama Administration's definition of Medicaid expansion (up to 138% FPL), Wisconsin spends about $280 million in state dollars for the same population that other "expansion" states are able to fund fully with federal dollars. Wisconsin has also relied on premium tax credits and cost sharing subsidies for other low income individuals and families with income above poverty to help them afford private coverage. As you know, income-based premium subsidies in the Affordable Care Act (ACA) were a critical element of Wisconsin's decision to both reject ACA-style Medicaid expansion and reduce Medicaid eligibility to 100% FPL.

The Wisconsin Model is unlike many, if not all, other states. We are concerned that the AHCA in its current form will undermine the laudable coverage gains achieved by Wisconsin over the past four years under your approach. In fact, certain aspects of the AHCA, as currently drafted, will penalize Wisconsin by perpetuating the ACA's Medicaid funding inequities while putting the state at risk for unexpected costs, and making coverage unaffordable for thousands of individuals.

Your direct involvement has helped raise some of these critical issues to the forefront of the AHCA debate. We appreciate your engagement on behalf of Wisconsin and offer the following points and comments as you continue to be an advocate for Wisconsin health care.

1. *Refundable Tax Credits: The new refundable tax credits based on age, not income, will negatively impact states like Wisconsin that relied on the subsidies available in the exchange to make coverage affordable for low income populations.*
    - The availability of income-based tax credits allowed Wisconsin to move some 60,000 low-income parents off of Medicaid and into private coverage. Without tax credits of a sufficient level for these individuals to purchase coverage, the reduction in the uninsured rate achieved by the Wisconsin Model could be reversed and hospital uncompensated care could increase.
    - Wisconsin currently has 225,000 people receiving coverage on the exchange, with the greatest proportions located in our rural areas.

- Eighty-five percent of those obtaining coverage on the exchange in Wisconsin receive an income-based tax credit.
- The new tax credits will range from $2,000 to $4,000 per year. The *average* tax credit in Wisconsin is currently $4,000 per year, and in some instances is significantly higher than the $4,000 average.
- Some older individuals with low income are currently receiving a tax credit as high as $10,000 per year. Compounding the reduction in tax credits, according to the Congressional Budget Office (CBO), premiums for older people could be as much as 27% higher under the bill.
- Even when factoring in that tax credits will be indexed for growth, and that there could be the potential for lower premiums for younger people resulting from market changes in the bill, most low income Wisconsinites will have to pay more for coverage.
- Not only do Wisconsin and other non-expansion states have a larger share of exchange enrollees who are low income compared to expansion states, in Wisconsin, a larger share of exchange enrollees are age 55-64. This means the negative impact could be even greater in Wisconsin compared to other states.
- The loss of cost sharing subsidies is also of concern to providers. This means those purchasing coverage will have higher cost-sharing for services, resulting in the potential for added uncompensated care for providers.

2. *Medicaid Funding. Any Medicaid funding changes pursued by Congress must treat expansion and non-expansion states equitably. Although the bill acknowledges non-expansion states with a new safety net fund, this falls far short of recognizing the costs Wisconsin has incurred expanding Medicaid.*

- Wisconsin's "partial expansion" population costs $280 million in *state* dollars each year whereas expansion states receive full *federal* funding under the ACA. True equity should recognize partial expansions as implemented under the Wisconsin Model for health care coverage. These are dollars that could be used to expand our diminishing health care workforce, train more primary care doctors, improve access in underserved rural and urban areas, boost reimbursement and reduce Medicaid cost shifting to employers and families … right here in Wisconsin.

- The AHCA creates a "safety net" fund for non-expansion states. WHA estimates Wisconsin's portion of this fund would be approximately $70 million per year for four years. This is far less than the $280 million annual cost for our partial expansion population.

- The AHCA allows non-expansion states to expand coverage through 2019 for adults with income up to 138% FPL, and to receive the enhanced Medicaid funding for those individuals. Ironically, this means in order to achieve equitable Medicaid funding under the AHCA, Wisconsin would need to embrace an element of Obamacare at the same time it is being repealed.

- Consistent with the Wisconsin Model, WHA strongly supports one of the proposals put forward last week in a letter from the Republican Governors from Ohio, Michigan, Nevada

and Arkansas to Speaker Paul Ryan and Majority Leader Mitch McConnell. Under their proposal:

> - *"For a state that has expanded eligibility to childless adults with incomes less than 138% FPL, but has not received the enhanced match, federal funding would be adjusted to be equitable with expansion states. Non-expansion states may choose to expand eligibility for adults at any income level at or below 138% FPL, with enhanced federal participation to create funding equity."*

This approach essentially redefines the Obamacare standard of "expansion" and finally recognizes and equitably funds the Medicaid expansion Wisconsin implemented when we added some 130,000 childless adults below 100% FPL to our program.

- The AHCA removes Medicaid Disproportionate Share Hospital (DSH) cuts in 2018 for non-expansion states, two years before the expansion states. While this might provide assistance in other states, Wisconsin is a "low DSH" state so this will have no measurable impact for us.

- CBO projects that under the AHCA the federal government will save $880 billion in Medicaid expenditures from 2017 to 2026 and that some 14 million individuals nationally will lose Medicaid coverage. Irrespective of whether there is full agreement with the CBO's projections, per capita caps are intended by Congress to restrain federal outlays for Medicaid expenditures. It is, therefore, paramount that Congress ensure its new Medicaid per capita funding mechanism is structured appropriately at the outset for all eligibility populations.

- WHA is concerned that per capita caps, as structured, will put the state and health care providers at risk in the future. The CBO estimates that Medicaid costs will grow at an average annual rate of 4.4%, but the enrollment cap would limit federal funding to just 3.7 percent growth per year.

- The structure of the per capita caps and the growth rate fail to account for situations that states or health care providers have no control, such as economic downturns, public health emergencies, and the rising cost of pharmaceuticals or new emerging therapies, as examples. Not only could this lead to a potential erosion of coverage, benefits or access to care in Wisconsin's Medicaid program, but it would exacerbate our already high $1 billion "Hidden Health Care Tax," which is the direct result of government underfunding of Medicaid. Those costs are shifted to employers and employees in the form of higher premiums. Failure to structure per capita caps correctly will cause significant stress on Wisconsin's state budget, health care providers, employers, employees and patients.

For the above reasons, WHA remains concerned about several provisions currently included in the AHCA. We urge you to pursue changes to the legislation to help preserve the Wisconsin Model and access to the high quality care for which we are known.

Sincerely,

Eric Borgerding
President & CEO