

March 10, 2017

Dear Members of the U.S. California Congressional Delegation:

On behalf of California's 21 public health care systems and the millions of patients they serve, we are writing to express our opposition to H.R. 277, the American Health Care Act, in its current form. As the bill makes its way through the legislative process, we respectfully offer the following feedback and our willingness to serve as a resource for issues related to the health care safety net.

California's public health care systems account for just 6% of the state's hospitals but provide care to 25% of the state's Medicaid (Medi-Cal) beneficiaries. These county-owned and operated facilities and University of California medical centers operate half of California's top level trauma and burn centers, train more than half of all new doctors in the state, and provide jobs to more than 75,000 people. In light of the critical role that public health care systems play in their communities, we are very concerned about several provisions in the bill, which we believe would result in adverse impacts to our systems and to the patients and communities they serve. Specifically, we are concerned about four issues:

**First, we are concerned that the gradual elimination of the Medicaid expansion would result in dramatic increases in the uninsured and in uncompensated care costs for safety net providers, especially public health care systems. Public health care systems could lose \$2.2 billion in federal funds annually with the loss of the Medicaid expansion.**

As you know, Medi-Cal now serves 1 in 3 Californians – a dramatic reflection of the value this program is having for the working poor. Public health care systems are the primary care provider to 560,000 newly enrolled Medi-Cal patients, from all walks of life. They are waitresses, truck drivers, contractors, and maintenance workers, whose workplaces do not offer employer-based insurance, and whose salaries are too low to afford commercial insurance, but who need regular care, as we all do.

Every day public health care systems witness the positive impact that health care coverage can have on people's lives, especially those with chronic conditions who had long avoided care for fear of costs. Rather than waiting until acute conditions force them to the emergency room, patients are now connected to primary care provider teams that are providing cost-effective care in non-emergency settings, and helping them stay healthy.

Unfortunately, H.R. 277 would return millions of Californians to the suffering of being uninsured. It eliminates California's Medicaid expansion by phasing out the enhanced Medicaid matching rate in 2020. As a result, millions of people could lose their Medi-Cal coverage. The bill would return California to overcrowded emergency rooms and higher uncompensated care

costs, both of which would be felt by other residents and taxpayers. The bill could also take away people's mental health and substance use services, which many people in this population have finally gotten access to for the first time. Though public health care systems would continue striving to serve everyone regardless of circumstance, they would struggle to do so. In short, the Medi-Cal expansion is working – for patients, communities, and the safety net that serves them. It must be protected, not eroded.

We are also concerned about the proposal to replace marketplace subsidies with refundable tax credits, which would be insufficient for many to obtain needed coverage, including those who will lose their Medi-Cal coverage, and those who have obtained coverage through the exchange. As a result, we could witness more uninsured, which again could increase uncompensated care costs for safety net providers.

Any reform of the Affordable Care Act must ensure that no one loses coverage and that everyone can continue to access high quality, cost-effective care.

**Second, we are concerned that the bill would shift costs to the state, and potentially local governments.**

The fundamental restructuring of Medicaid into a per capita cap will shift Medicaid costs from the federal government to states, particularly hurting states like California, which is already one of the leanest and most efficient Medicaid programs in the country. Changing the underlying structure of Medicaid to a capped federal contribution will likely force our state to make the terrible choice of reducing Medi-Cal enrollment, reducing benefits, or passing massive costs onto counties, providers and other entities.

The Center on Budget and Policy Priorities estimates that states could lose \$370 billion over the next ten years with the reduction in federal funding for the Medicaid expansion and a cap on federal Medicaid spending. These cuts would cripple the Medi-Cal program as it exists today, and cause irreparable harm to the health and well-being of the millions of Californians who rely on it.

**Third, we oppose efforts to reduce Medicaid enrollment by making it more onerous for people to obtain or continue their coverage.**

The Affordable Care Act gave hospitals the option to provide temporary Medicaid coverage to people who were likely to qualify for Medicaid. This policy helped identify thousands of previously uninsured patients in California, enrolling them into Medi-Cal and setting them on a path of better health. Provisions in the AHCA that are designed to reduce Medicaid rolls, such as the elimination of hospital presumptive eligibility and the requirement that Medicaid beneficiaries re-enroll in Medicaid every 6 months, rather than annually, will only serve to increase the number of uninsured and all the associated inefficiencies and costs.

**Finally, we oppose the bill's unfair treatment of states that expanded Medicaid, to the benefit of those that did not.**

A recent independent study concluded that even with California's coverage expansion, public health care systems continue to need our full Medicaid DSH allotment, due to continuing high levels of uncompensated care costs. Medicaid DSH funding should continue for all states to help alleviate these costs.<sup>1</sup> By cutting DSH funds for only Medicaid expansion states, California's public health care systems could lose \$490-\$720 million over the next two years, depending on how the cuts are structured.

We are concerned about the rapid pace of these proceedings, with so many lives at risk. We urge that the process be slowed down to make revisions that will ensure that coverage levels are maintained and access to high quality care for all Americans is preserved.

Sincerely,



Erica B. Murray  
President and Chief Executive Officer

---

<sup>1</sup> Navigant: "Evaluation of Uncompensated Care Financing for California Designated Public Hospitals," May 15, 2016. [http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/CA\\_UCP\\_Report\\_Final.pdf](http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/CA_UCP_Report_Final.pdf)