



May 2, 2017

To the Pennsylvania Congressional Delegation:

As you evaluate whether to repeal and replace the Affordable Care Act (ACA), we urge you to ensure that any reform efforts maintain funding for the current Pennsylvania Medicaid program and protect the vulnerable citizens who rely on Medicaid for critical and necessary care. As currently structured, the American Health Care Act (AHCA) would serve to dramatically reduce Medicaid coverage and strain resources for this critical program.

Medicaid in Pennsylvania: Nearly 2.8 million people, or nearly 1 in 5 Pennsylvanians, are enrolled in Medicaid, and 72 percent are from working families. Most Medicaid enrollees are children, seniors, and people with disabilities. Medicaid is particularly important for low-income pregnant women, as 45 percent of Pennsylvania's births are funded by Medicaid.

Under Medicaid expansion, more than 700,000 Pennsylvanians gained coverage, many of whom suffer from significant chronic conditions. During a recent period, approximately a third of Medicaid expansion enrollees were diagnosed with and treated for substance use and/or mental health illnesses. With Medicaid expansion, the uninsured rate in Pennsylvania has dropped from 10.2 to 6.4 percent, representing a reduction of the uninsured by nearly 40 percent. Medicaid in Pennsylvania is also highly cost-effective, and delivers high-quality, coordinated care.

Medicaid Provisions in the AHCA: The AHCA proposes to phase out enhanced federal funding for Medicaid expansion beginning in 2020. The Pennsylvania Department of Human Services has estimated that this funding reduction would create a \$2.5–\$3 billion annual funding gap. This would be a crippling blow, in light of Pennsylvania's current \$3 billion structural deficit. It is probable, if not likely, that Pennsylvania would be forced to drop health coverage for the expansion population.

The AHCA also establishes a per capita cap approach beginning in federal fiscal year 2019, in which a dollar amount would be set for each person covered by the program, increased year-to-year based on an inflation factor. The proposal to convert federal financing of Medicaid to a per capita cap system is deeply troubling, as it is designed to reduce federal funding for Medicaid over time. This will force states to make up the difference with their own funds, which many simply do not have, cut programs by reducing the number of people they serve or the health benefits they receive, and/or cut rates to providers. The proposed inflation factor likely would not keep



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pace with increases in health care costs, demographics, or address unexpected health problems, such as the Zika virus or the opioid epidemic.

Per capita caps also place our state at even greater risk, as Pennsylvania has been working to constrain Medicaid costs for decades and is a mandatory managed care state for most services.

Recommendations: In light of the importance of expanded Medicaid coverage to the newly eligible population, as well as the positive impact on the state economy and provider community and those they serve, we recommend the following:

- Medicaid expansion should not be eliminated without simultaneously providing similar coverage options
- Proposed changes to the Medicaid financing model using a per capita approach should be removed from the AHCA or any other proposed health care reform bills
- Fundamental changes to Medicaid that potentially would reduce coverage, undermine access to care, and shrink provider reimbursement rates should not be made

Changes to the ACA are necessary to sustain affordable health coverage, enhance access to care, and control costs, and we applaud you for your engagement and attention to this effort. Medicaid expansion, as included in the ACA, has expanded access to care to more than 700,000 Pennsylvanians, and improved their quality of life and financial security. We ask that any changes to the ACA maintain coverage for this population, and that you protect Medicaid from harmful changes.

Thank you for your service to our state, and for your thoughtful consideration of our concerns.

Respectfully,

Health Federation of Philadelphia
Healthcare Council of Western Pennsylvania
The Hospital and Healthsystem Association of Pennsylvania
Kids Smiles
Leading Age PA
Pennsylvania Association of Community Health Centers
Pennsylvania Coalition of Nurse Practitioners

Pennsylvania College of Emergency Physicians
Pennsylvania Homecare Association
Pennsylvania Medical Society
Pennsylvania Rural Health Association
Pennsylvania Society of Physician Assistants
Public Citizens for Children and Youth
Rehabilitation & Community Providers Association
Safety-Net Association of Pennsylvania
The Urban Health Care Coalition of Pennsylvania