

Key Health Care Reform Issues for the Florida Hospital Association July 2009

As Congress debates health reform legislation, FHA urges policymakers to recognize the unique challenges of states like Florida with very high Medicare, dual eligible, illegal immigrant and uninsured populations, as well as a shortage of physicians to care for them. In order to ensure the continued ability of Florida hospitals to meet the needs of Medicare and Medicaid recipients during the evolution to a new delivery system, changes to payment methodologies should include appropriate transitions times for states such as Florida with multiple and complex demographic challenges. A summary of FHA's reform priorities, which takes into account the aforementioned demographics, is provided below.

Medicare and Medicaid Disproportionate Share (DSH) Hospital Payments

Issue: FHA supports Congress' effort to expand healthcare coverage to a majority of Americans. In addition, FHA recognizes that there could be a somewhat diminished need for DSH payments once coverage is fully phased in for the uninsured. However, states like Florida with large existing populations of uninsured and illegal immigrants, will have large volumes of people who remain uninsured. As a result, there will still be a need for Medicaid and Medicare DSH payments at adequate levels to recognize and financially support those hospitals that will continue to provide care for these populations. Florida hospitals currently receive \$260 million in Medicaid DSH payments and \$629 million in Medicare DSH payments on an annual basis to care for these vulnerable patients.

FHA Position: FHA looks forward to working with the Delegation to ensure that any reduction in DSH payments recognizes states with high uninsured and illegal immigrant populations, and provides an appropriate transition to any payment reductions. FHA supports the concept of a "trigger" mechanism that would precipitate DSH reductions only when a certain level of coverage is achieved, and therefore supports the recent agreement reached between the Senate Finance Committee and the American Hospital Association. FHA further urges Congress to ensure that such a trigger mechanism takes into account the actual volume of remaining uninsured, not just the percent decline. For example, even if the number of uninsured in Florida declines by 50 percent, there will still be 2 million uninsured, in addition to 1 million illegal immigrants, reaffirming the need for an appropriate level of continued DSH payments.

Graduate Medical Education (GME)

Issue: Florida's healthcare system is challenged by a lack of physicians, particularly in primary care. In the past decade, Florida's ratio of physicians to population fell below the national average. In addition, Florida faces the third-largest physician shortage in the nation and will need 63 percent more primary physicians within the next 10 years to avoid a more serious shortage. According to Florida's 2009 Annual Report on Graduate Medical Education submitted by the Graduate Medical Education Committee, Florida needs to add close to 3,000 new GME positions to meet the national average.

FHA Position: FHA believes that the House proposal appropriately redistributes currently unused residency slots, particularly in the areas of primary care and general surgery. However, under this proposal there would only be approximately 800 slots available for redistribution nationwide. As this proposal does not go far enough to meet Florida's immediate needs, FHA urges the House to also increase the number of residency slots nationwide, taking into particular consideration states like Florida with high numbers of primary care health professional shortage areas (HPSAs) and medically underserved areas (MUAs), and similarly urges the Senate to adopt both proposals as well.

Public Health Insurance Option

Issue: Should health reform legislation include a public option, FHA recommends that priority for a public option be given to those who have been denied access to private insurance because of a previous medical condition. FHA also urges Congress to ensure that coverage provided under a public option is comprehensive. No disincentive for participating in existing private insurance programs, either paid for by an employer or an individual, should be created by any public plan. Payment rates to providers should be adequate, covering fixed and variable costs and insuring a return. If a public plan were to pay at Medicare rates, hospitals would experience further financial stresses while being asked to make significant investment in quality improvement, information technology and other programs to enhance value. Based on FHA's estimates of the number of Floridians that currently have private insurance who would switch to the public plan, FHA believes this proposal could result in as much as \$2.2 billion in reduced payments to Florida's hospitals on an annual basis if the public plan pays Medicare rates.

FHA Position: FHA supports a recent agreement reached between the Senate Finance Committee and the American Hospital Association, which would ensure that if a public plan option is implemented, it would reimburse at rates higher than Medicare.

Medicare Market Basket Updates

Issue: The House and Senate are considering reducing the annual Medicare market basket update for inpatient, outpatient, and post-acute care services. These cuts would come at a time when Medicare operating margins for Florida's hospitals are -6.7 percent and would further limit hospitals' ability to generate sufficient capital. Combined with proposed regulatory changes, the net inflationary update will be -0.5 percent for fiscal year 2010.

FHA Position: FHA urges Congress to limit market basket reductions and allow hospitals to make necessary investments in patient care, health information technology and quality enhancements. Under the House proposal, FHA estimates that the productivity adjustment will cut payments for hospital-based services by almost \$10 billion over ten years in Florida. FHA therefore prefers the recent agreement reached between the Senate Finance Committee and the American Hospital Association, which would result in a smaller net reduction in the market basket update.