

May 22, 2009

The Honorable Max Baucus, Chairman
The Honorable Charles Grassley, Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

The Florida Hospital Association (FHA), on behalf of its member hospitals and health systems, appreciates the opportunity to comment on the Senate Finance Committee's *Description of Policy Options in Expanding Health Care Coverage*. In summary, FHA supports the Committee's efforts to expand healthcare coverage. As the Committee drafts the legislation with further specificity, we urge your recognition of the unique challenges of states like Florida with very high Medicare, dual eligible, illegal immigrant, and uninsured populations.

Public Health Insurance Option

Florida's healthcare system is challenged by a very high number of uninsured individuals and illegal immigrants. One in four Floridians – more than four million individuals – under the age of 65 is uninsured. Nearly 10 percent of the nation's uninsured reside in Florida. Further, Florida has the third largest illegal immigrant population in the nation estimated to be approaching one million individuals, following behind only California and Texas respectively. With so staggering a number of uninsured and illegal immigrants, it is unlikely that Florida could solve its uninsured problem without national reform. Accordingly, FHA commends the Committee's efforts to extend coverage and make it affordable for all Americans.

As the Committee considers how best to ensure coverage for all, FHA respectfully requests that the Committee consider the unique challenges of states like Florida with substantial uninsured and illegal immigrant and Medicare populations. In 2007, Florida hospitals provided care to our uninsured costing \$2.57 billion. This is a cost that of necessity must be passed on to purchasers of commercial health insurance, thus increasing the cost of employer-sponsored insurance. Further, given Florida's high Medicare and dual eligible population, and the reimbursement below cost provided by Medicare and Medicaid, the ability of Florida hospitals to garner sufficient revenues for operations, capital investments and quality enhancements is already limited. Even if the Congress enacts comprehensive

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reform as well as a personal responsibility for coverage as proposed by the Committee, FHA anticipates that gaps in coverage will still be significant, due both to the potential for underinsurance, as well as numerous individuals, particularly illegal immigrants, who will nonetheless remain without coverage. Put another way, while we would hope that in a reformed healthcare system cost-shifting would no longer be a necessary evil, we are concerned that the reality in Florida will be otherwise. In that regard, as Congress considers a public health insurance option, FHA recommends that the following considerations be addressed:

- A. Priority for a public option should be given to those who have been denied access to private insurance because of a previous medical condition. In 1983, Florida created a high-risk health insurance pool for uninsured individuals. At one time as many as a 7,500 were enrolled. However, due to cost considerations, the Legislature closed the pool to new enrollees effective October 1, 1990. Even now, several hundred are still enrolled while many thousands remain without coverage. A public option that functions primarily as a high-risk pool will contribute to stabilizing the vulnerable individual health insurance market.
- B. No disincentive for participating in existing private insurance programs, either paid for by an employer or an individual, should be created by the public plan. Any public option should be a back-up, or option of last resort, not an alternative to private insurance. Consideration should be given to limiting the availability of a public option to a defined population.
- C. Coverage provided under a public option must be comprehensive. The public option, whether administered through the exchange or directly by either the state or federal government, should not be a limited benefit plan but provide services equivalent to those available through Medicare Parts A, B and D.
- D. Payment rates to providers should be adequate, covering fixed and variable costs and insuring a return, if rates are set by Congress. If rates are negotiated between intermediaries and providers, the legislation must ensure a level playing field in which negotiations take place. 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.
- E. Some additional payment enhancements or other specific program should be included to recognize and assist those states, like Florida, with the highest numbers of uninsured individuals and illegal immigrants.

Changes to the FMAP Formula

FHA supports the Committee's proposed option to change the current FMAP formula. Currently, the formula compares each state's per capita income relative to U.S. per capita income. The Committee proposes to incorporate both a state's per capita income measure using a two-year average, and also data on the state's poverty level. The two-year averaging better accommodates major fluctuations in

per capita income, smoothing the peaks and valleys tied to major statewide economic impacts such as hurricanes and other natural disasters, which most particularly affect disaster prone states like Florida.

The current formula does not target the states with the greatest needs - those with weak tax bases and high concentrations of people in poverty. The Committee proposal would address the state's poverty level and provide a more direct measure of those in need of Medicaid services which FHA supports. However, FHA suggests that the Committee also consider the inclusion of a state's total taxable resources (TTR) as a way to measure a state's ability to fund Medicaid program services from their own resources.

Medicaid Disproportionate Share (DSH) Hospital Payments

Florida has an estimated 1 million illegal immigrants residing within our state. In the absence of coverage expansions that definitively include the entirety of this population, FHA believes it is essential to continue a Medicaid Disproportionate Share Program to recognize and financially support the hospitals which will continue to provide care for this population.

Section 1115 Waivers

Florida is currently in year four of a five year Section 1115 waiver and will soon be undertaking a transition to a new program. FHA supports the Committee's proposals to increase transparency in the waiver development process to ensure all stakeholders are better able to effectively participate in the development, implementation and evaluation of Section 1115 waivers. In addition to the proposed transparency related requirements on both States and the Secretary of HHS, FHA would urge that the Committee consider a more formalized process to engage stakeholders, such as state hospital, nursing home and medical associations as appropriate, in direct dialogue at both the State and Federal levels to ensure all stakeholders have a more meaningful opportunity to provide input into the waiver throughout its course of development, implementation and evaluation.

The Florida Hospital Association appreciates the opportunity to provide input into the Committee's consideration of health reform coverage options and looks forward to working with the Committee in its work to improve the healthcare system for all Americans.

Sincerely,



Bruce J. Rueben
President, FHA