

May 26, 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, on behalf of its member hospitals and health systems, appreciates the opportunity to comment on the Senate Finance Committee's *Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue Options*. In summary, as the Committee drafts health reform 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 and a shortage of physicians to care for them when considering changes to disproportionate share and graduate medical education programs as well as requirements for tax-exemption for 501(c)(3) hospitals.

As noted in our prior letters to the Finance Committee regarding options for delivery system and coverage reform, Florida's health care system is challenged by 4 million uninsured individuals under the age of 65 and an illegal immigrant population of 1 million. FHA has conservatively estimated that in 2007, Florida hospitals provided \$5.4 billion in community benefits including providing \$2.57 billion of care to the uninsured, and \$1.3 billion in losses in caring for Medicaid recipients. FHA members are providing an average of 18.7% of their operating expenses in community benefits. FHA has been proactively working with our members in reporting community benefits and nearly all of them are now doing so.

Among the states, Florida has the second highest Medicare population at over 3.1 million beneficiaries, which represents 17 percent of the State's total population. Nearly 44 percent of Medicare enrollees are below 200 percent of the Federal Poverty Level (FPL) and 16 percent are under 100 percent of the FPL. Eighteen percent of the State's population is dually eligible for Medicare and Medicaid. In 2007, Florida hospitals were reimbursed \$628 million less than the cost of caring for Medicare beneficiaries.

Florida's health care system is further challenged by a lack of physicians, particularly in primary care. In the past decade, Florida's ratio of physicians to population fell from above to below the national average. The deepening shortage is exacerbated by the fact that 25 percent of Florida's licensed physicians are over 60 years of age. A recent study by the Association of American Medical Colleges ranks Florida 36th among states with federally funded medical residency positions, with 19.3 residents per 100,000 population. By contrast, the top 20 states had between 27.7 and 70.4 residents per 100,000 population for the 2007-2008 academic year. The ratio of primary care physicians to population at 83.4 per 100,000, ranks Florida 30th among all states. According to the American Academy of Family Physicians, Florida faces the third-largest physician shortage in the nation and will need 63% more primary physicians within the next 10 years to avoid a more serious shortage.

Given Florida's high uninsured, Medicare and dual eligible population, and the reimbursement below cost provided by Medicare and Medicaid, the ability of Florida hospitals to generate sufficient revenues for operations, capital investments and quality enhancements is already limited. Even if Congress enacts comprehensive reform as well as a personal responsibility mandate for coverage, 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 remain without coverage. Accordingly, the cost to Florida hospitals, which currently serve as the provider of last resort for uninsured and illegal immigrants, will remain substantial. In the absence of coverage that definitively includes the entirety of the uninsured population, the FHA believes it is essential to continue disproportionate share payments to support those hospitals that provide care for high uninsured and illegal immigrant populations as well as insure an appropriate transition to any new payment methodology.

In addition, as Florida faces a serious physician shortage, given that residents very often remain in the state in which they are trained, it is essential that graduate medical education payments continue and that resident caps be adjusted for States like Florida with more serious shortages, particularly in primary care.

Finally, in light of the fact that the new IRS 990 requirements have recently gone into effect, FHA believes that it makes sense to proceed cautiously before implementing any dramatic changes in requirements on Section 501(c)(3) hospitals. FHA believes that a clearer picture will emerge as hospitals begin providing new and updated information on their 990 forms that will inform the public and Congress in terms of what hospitals are providing in benefits to their communities. We are hopeful that the Committee will support a careful approach in this regard.

The Florida Hospital Association appreciates the opportunity to provide input into the Committee's consideration of financing options, and we look forward to working with the Committee to improve the health care system for all Americans.

Sincerely,

A handwritten signature in cursive script that reads "Bruce J. Rueben".

Bruce J. Rueben
President, FHA