September 26, 2017

Dear Members of the Pennsylvania Congressional Delegation:

The undersigned organizations urge you to reject the Graham-Cassidy-Heller-Johnson (GCHJ) proposal.

We have profound concerns that this policy will: disrupt coverage for millions of Pennsylvanians; undermine access to care for working families, children, seniors, and people with disabilities across Pennsylvania who rely on the Medicaid program; and cause enormous uncertainty for patients and health care providers alike.

As we discuss in greater detail below, key policy concerns include:

- Replacing premium tax credits, cost-sharing reduction payments, and enhanced funding for the Medicaid expansion by 2020, with block grants to the states that provide significantly less resources to maintain coverage, and redistribute funding in a manner that is divorced from the cost of coverage and care
- Implementing a new Medicaid financing system that both lowers and caps funding and will not enable Pennsylvania to meet the needs of its Medicaid population moving forward
- Allowing state waivers that undermine important consumer protections, including security for individuals with pre-existing conditions and coverage of essential health benefits
- Imposing inadequately vetted changes to the financing and structure of health care benefits that will be profoundly disruptive for patients and providers, and provides just two years for the Commonwealth to grapple with enormously significant health care policy decisions

**Market-based Health Care Block Grant**

More than 1.1 million Pennsylvanians have gained comprehensive coverage as a result of Medicaid expansion and health insurance policies offered through the individual market via the health insurance marketplace. The GCHJ proposal would eliminate funding for premium tax credits, cost-sharing reduction payments, and enhanced federal matching payments for the Medicaid expansion after 2019.
Instead, the proposal establishes a “Market-based Health Care Block Grant” program, and provides a capped allotment for states to use for health-related purposes. The block grant will provide a significantly lower level of funding as compared to the resources currently spent to support coverage. On a national level, funding for the block grant would be $107 billion less than current law between 2020 and 2026. Also, the state allotments will redistribute funding among states—shifting resources away from states like Pennsylvania that expanded Medicaid—and do not reflect actual costs or enrollment. Recent changes to the bill would direct more money to Alaska, Arizona, Kentucky, and Maine, compared to earlier versions.

Initial modeling foreshadows that Pennsylvania will be faced with insufficient resources to support coverage for individuals who are currently covered through Medicaid expansion and the health insurance marketplace. Preliminary estimates indicate Pennsylvania could stand to lose more than $11 billion through 2026.

Medicaid

Similar to prior repeal bills, the GCHJ proposal would radically alter and reduce funding for Medicaid, which existed prior to the Affordable Care Act (ACA). Instead of maintaining the existing financing approach, the proposal would impose a per capita cap, which would limit federal funding to a set amount per beneficiary, regardless of actual costs.

Based on previous analysis by the CBO, the proposal’s trend rates would not keep up with actual costs, including unexpected costs relating to emerging health emergencies, such as the Zika virus or the opioid epidemic. Most strikingly, beginning in 2025, the cap rate for children and non-disabled adults would rise each year by the general inflation rate, which is about 2.5 percentage points lower than projected increases in per-beneficiary costs. Overall, Medicaid funding losses could exceed $52 billion over 2020 to 2026. Pennsylvania’s loss would be over $1 billion during this period.

The funding deficit will force Pennsylvania to pit the needs of vulnerable groups—including children, individuals with disabilities,
pregnant women, and older adults—against each other, and could require the state to limit the number of people they serve, cut the health benefits they receive, and/or slash payment rates to providers.

Pennsylvania is also particularly vulnerable, as it ranks 5th in the country in the percent of its population aged 85 and older, who incur costs more than 2.5 times higher than younger seniors. This group is expected to grow from 333,828 residents in 2015 to nearly 610,000 people by 2040—leading to severe underfunding as Pennsylvania’s population ages.

Pennsylvania’s Medicaid program also moved to managed care long before other states in an effort to achieve cost-effective and high-quality care. The GCHJ per capita proposal, like previous proposals, would lock-in historic inefficient spending patterns and reward other states that have not been as aggressive in implementing cost controls.

**Consumer Protections**

On a bipartisan basis, federal lawmakers have acknowledged the importance of ensuring core protections for health care consumers—including security for individuals with pre-existing conditions, access to preventive health services, and particularly in light of the opioid epidemic, coverage of behavioral health and substance use treatment. Millions of Pennsylvanians have seen greater financial security and improved health as a result of these protections. As an example, since the passage of the ACA, Pennsylvania has provided drug and alcohol treatment to more than 175,000 people who might otherwise have gone without care.

The revised GCHJ proposal allows states to alter individual or small group coverage funded through the Market-based Health Care Block Grant program to eliminate coverage of “essential health benefits,” remove the ACA’s cap on out-of-pocket costs for enrollees, and allow insurers to charge premiums relative to an individual’s health or age.
State changes to the essential health benefit standards could lead to health plans covering fewer services, such as maternity benefits, prescription drugs, or opioid addiction treatment. Changes to the community rating rules for health status and the cap on out-of-pocket costs could price many consumers out of the market. While insurers may be required to sell coverage, the cost of that coverage would likely be unaffordable to consumers. This would render protections for individuals with pre-existing conditions moot.

Disruption and Uncertainty

In addition to impacting coverage by virtue of the significant health care financing changes outlined above, the GCHJ proposal would repeal the individual mandate, which the Congressional Budget Office has estimated would increase the number of uninsured by 16 million by 2026. Without an alternative policy to encourage a healthy risk pool, the individual market will be subject to a death spiral of increasing premiums.

Another destabilizing force under the proposal is the sunset of the Market-based Health Care Block Grant program after 2026—creating a substantial financial cliff for both the federal government and state governments. Estimates suggest that cliff could amount to a nearly $225 billion cut in one year, and more than $10 billion for Pennsylvania.

Timing is also a major factor. The Market-based Health Care Block Grant program provides a list of options for states to use the funding, and would require the Commonwealth to envision and stand up, within two years, a new health care payment system. Enormously significant changes to the financing of the Medicaid program would also take effect starting in 2020. This does not provide sufficient time for the Commonwealth to appropriately plan and react to major federal policy alterations. Finally, not only does GCHJ significantly cut Medicaid and perpetuate the chronic underfunding of this program, it even proposes to limit the current ability of states and providers to work together to generate the necessary funds through provider taxes.
The scope of the disruption to the individual market and Medicaid resulting from the proposed changes, inadequate analysis of the impacts, and narrow timeline for implementation by the states, support rejection of this proposal.

In conclusion, the GCHJ proposal jeopardizes coverage, weakens access to Medicaid, undermines critical protections, and will cause tremendous disruption for Pennsylvania patients and health care providers. An increase in the number of uninsured, significant cuts to the resources that support health care coverage, elimination of Early Periodic Screening and Diagnostic Testing (EPSDT) requirements, and less access to life-saving services and treatments, will undercut progress by the health care sector in reducing health care costs and improving the health of our state. Further, while the GCHJ would be devastating to individuals relying on Medicaid or the individual insurance market, it is important to underscore that the nature and magnitude of the proposed changes will directly or indirectly have an adverse impact on access, quality and cost of care for all Pennsylvanians regardless of their current source of health insurance coverage.

We strongly urge Congress to reject this policy approach and place a focus on market stabilization policies that will preserve coverage and access to affordable health care.

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

Sincerely,

Allegheny County Medical Society
Alliance of Health Care Providers
American Academy of Pediatrics, Pennsylvania Chapter
Health Federation of Philadelphia
Healthcare Council of Western Pennsylvania
Kids Smiles
LeadingAge PA
National Association of Social Workers, PA Chapter
Pennsylvania American Congress of Obstetricians and Gynecologists
Pennsylvania Association of Certified Nurse-Midwives
Pennsylvania Association of Community Health Centers
Pennsylvania Association of Nurse Anesthetists
Pennsylvania Athletic Trainers’ Society, Inc.
Pennsylvania Chiropractic Association
Pennsylvania Coalition for Oral Health
Pennsylvania Coalition of Nurse Practitioners
Pennsylvania College of Emergency Physicians
Pennsylvania Dental Association
Pennsylvania Homecare Association
Pennsylvania Medical Society
Pennsylvania Psychiatric Society
Pennsylvania Psychological Association
Pennsylvania Rural Health Association
Pennsylvania Society of Physician Assistants
Pennsylvania State Nurses Association
Rehabilitation & Community Providers Association
Safety-Net Association of Pennsylvania
The Hospital and Healthsystem Association of Pennsylvania
The Urban Health Care Coalition of Pennsylvania