

Testimony on

Medicaid and the Affordable Care Act

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House Human Services Committee

June 15, 2017



pennsylvania
DEPARTMENT OF HUMAN SERVICES

Good morning Representative DiGirolamo and Representative Cruz, members of the House Human Services Committee, and staff. Thank you for the opportunity to provide information on behalf of the Department of Human Services (DHS) regarding the implications of the proposal to repeal and replace the Affordable Care Act and specifically what the repeal of the Medicaid expansion means for the commonwealth.

In Pennsylvania, Medicaid provides coverage to over 2.8 million low-income Pennsylvanians which represents 22 percent of the commonwealth's population. Medicaid provides preventive services, like vaccines and well-child visits; life-saving treatments for chronic diseases such as cancer, opioid addiction, liver disease and Hepatitis C; and, services that help people with disabilities and seniors remain in their homes and communities. More specifically, the Medicaid program in Pennsylvania currently serves:

- 1.2 million children, with over 387,000 being between birth and age 5.
- Over 248,000 seniors 65 years of age and older.
- 565,000 individuals who receive outpatient mental health services.
- 215,000 individuals with a substance use disorder diagnosis.

- PA's Medicaid program pays for over 55,000 individuals to receive services in nursing homes each month.
- In addition, the Medicaid program pays for \$104.8 million in direct health and health-related services to children to assist them to participate in school and also provides \$29.9 million to school districts for administrative costs related to the provision of these health services.

As you are aware, the Affordable Care Act (ACA) gave states the option to expand Medicaid eligibility to individuals 19 to 64 years of age up to 138 percent of the federal poverty level, an option that Governor Wolf pursued immediately upon entering office in 2015. As a result, more than 715,000 newly eligible Pennsylvanians now have access to health care coverage through the HealthChoices program. This includes 124,000 individuals with substance use disorder who have gained access to medically necessary drug and alcohol services. These services are critical given the current opioid crisis. Last year, 4,642 Pennsylvanians died of a drug-related overdose, an increase of 37% from 2015 according to the federal Drug Enforcement Administration's Philadelphia Field Office, which equates to approximately 13 drug-related overdoses each day. Phasing out enhanced Medicaid funding would place Pennsylvania's progress in addressing the opioid crisis at risk.

In addition to providing health care coverage to more than 715,000 newly eligible individuals through Medicaid, the ACA enabled 410,000 individuals to gain health care coverage through the Marketplace. As a result of these 1.1 million Pennsylvanians gaining access to health care coverage, the commonwealth's uninsured rate fell from 10.2 percent to 6.4 percent in four years, the lowest it's ever been. The uninsured rate for children fell to 4.1 percent, also an all-time low.

Medicaid expansion has had other significant and positive impacts on Pennsylvania, including:

- General acute care hospitals saw a \$92 million decrease in uncompensated care in year one. This was an 8.6 percent decrease in uncompensated care and was the first decrease since 2001.
- 4,422 more physicians, 601 more dentists, and 444 more certified registered nurse practitioners enrolled in the Medical Assistance program.
- Generating an infusion of over \$1.8 billion in direct care health spending into the commonwealth in calendar year 2015 and the addition of 15,500 jobs in Pennsylvania in year one.

The American Health Care Act (AHCA) which was passed by the House of Representatives on May 4, 2017, would significantly change the Medicaid provisions of the ACA. First, it modifies Medicaid expansion eligibility and the enhanced federal matching funds associated with the coverage of individuals under the expanded eligibility level. The impact on Pennsylvania will be significant. Instead of 90 percent federal match to provide health care to the expansion population, the AHCA would provide approximately 52 percent federal match. Given the commonwealth's revenue situation, providing state funds to offset the loss of federal funds is not a realistic option. Consequently, if the house bill were enacted, the state would be forced to make difficult decisions about who to cover, what services will continue to be covered, and the rates that we will be able to pay providers.

The AHCA also proposes a per capita cap rate for each of the following five eligibility groups effective federal fiscal year 2020:

- Elderly
- Blind or disabled individuals
- Children
- Low-income adults

- Expansion adults

Unlike current funding, which provides federal matching funds for Medicaid expenditures made on behalf of all of the state's federally approved Medicaid eligibility groups, the AHCA would limit federal funding to the capped amount calculated and would provide no additional federal funding for health care costs that exceed the calculated cap. Over the last five years, our average per capita growth in Medicaid has ranged from 2.2 percent to 5.3 percent, a trend that is expected to continue and which may not be supported by the per capita funding formula. States would be forced to make difficult decisions about what services and who they can cover. Our most recent estimate shows that Pennsylvania will lose over \$2 billion per year in federal revenue as a result of the reduced federal match for the expansion population and the shift to a per capita funding formula..

The President's recently proposed budget follows through on the AHCA \$800 billion in cuts to Medicaid, resulting in 10 million people losing coverage according to the Congressional Budget Office. In addition to the reductions through the AHCA, there are \$610 billion in Medicaid reductions over the next decade. The proposed funding formula for the traditional Medicaid program will significantly impact Pennsylvania seniors and people with disabilities, who are

among the most vulnerable this program serves. While seniors and people with disabilities represent approximately 30 percent of Medicaid enrollment, these populations account for 62 percent of the Medicaid expenditures. Current population projections reported by the Center for Rural Pennsylvania suggest that the numbers of seniors will continue to increase. As a result, the current Medicaid per capita funding proposal would significantly underfund Pennsylvania's Medicaid program. Pennsylvanians rely upon Medicaid for their health care and these reductions would be devastating to your constituents if implemented.

Pennsylvania continues to evaluate what additional amounts will be included in the per capita calculation. For instance, supplemental payments made to providers, such as hospitals, nursing facilities, and safety net providers may or may not be included within the calculation. These funds provide additional support for Pennsylvania providers.

In closing, the elimination of funding for Medicaid expansion would erase the gains Pennsylvania has made over the past several years in ensuring improved health outcomes for its most vulnerable citizens. Jobs created as a result of the expansion will be lost, the uninsured rate will rise, uncompensated care rates for

hospitals will significantly increase, and most importantly, over 715,000 individuals will lose health care coverage. The Department looks forward to continuing to partner with the committee and General Assembly as these proposal continue to be debated in Congress. Thank you for the opportunity to provide testimony.