



Charles N. Kahn III  
President and CEO

August 18, 2021

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Charles Schumer  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

Dear Speaker Pelosi and Majority Leader Schumer:

On behalf of the Federation of American Hospitals (FAH), I am taking an opportunity to provide recommendations on the health care issues pertinent to your development of the budget reconciliation initiative. We are particularly gratified by early indications that you will focus on further improving and expanding health coverage for millions of Americans through the *Affordable Care Act (ACA)*, and providing additional benefits for seniors under Medicare.

The FAH is the national representative of more than 1,000 leading tax-paying hospitals and health systems throughout the United States. FAH members provide patients and communities with access to high-quality, affordable care in both urban and rural areas across 46 states, plus Washington, D.C and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services.

### **Health Coverage**

#### *ACA Subsidies*

The FAH's commitment to affordable, universal health care coverage is long-standing and unwavering. We were among the first health care groups to support and work tirelessly towards the enactment of the *Affordable Care Act (ACA)*. And before that, the FAH was the first major health association to roll out a template for universal coverage, Health Coverage Passport, the key elements of which were embodied in the *ACA* – preserving popular employer-based coverage, reinforcing Medicare and Medicaid, and providing additional coverage options through subsidized private coverage offered on competitive marketplace platforms.

The success of the ACA is evidenced in part by the 31 million Americans who, today, have gained coverage through its provisions.<sup>1</sup> While there is clearly more work to do, the best, if not only approach is to build on the ACA's foundation that balances public and private coverage. That work has begun in earnest following a decade of controversy that is finally subsiding.

**We therefore strongly support making permanent the expanded ACA subsidies enacted in the *American Rescue Plan Act* to help millions more afford quality health care coverage.**

### *Medicaid Coverage Gap*

Despite the generous incentives provided by Congress, 12 states continue to resist expanding Medicaid, trapping more than 4 million low-income Americans in a senseless coverage gap. We implore Congress to now take the next step and remedy this fundamental health inequity.

**The most expeditious, efficient, and effective manner to achieve this goal is to build upon the success of the ACA framework and permit this targeted population to purchase high quality health coverage – with subsidies and cost sharing reductions - on the Exchange at low-to-zero cost.**

We have significant concerns with any proposal that would establish a new Federal Medicaid look-alike program to fill the coverage gap. The formation and implementation of a new federal program or a Medicaid public option would be complex and costly, burdened by bureaucracy and rulemaking that would unnecessarily delay access to care for millions.

### *Lowering the Medicare Eligibility Age*

**Research continues to show that lowering the age of Medicare eligibility to 60 would have dire consequences for all Americans, including current and future beneficiaries.**

According to a recent study, the fiscal impact of Medicare at 60 could include:<sup>2</sup>

- Gross Medicare expenditures rising by \$82.9 billion in 2022
- Federal deficit rising by \$32.2 billion in 2022 and \$393.9 billion over the next 10 years (2022 to 2031)
- Hospital Insurance Trust Fund being depleted in 2024, two years earlier than currently projected

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<sup>1</sup> <https://www.hhs.gov/about/news/2021/06/05/new-hhs-data-show-more-americans-than-ever-have-health-coverage-through-affordable-care-act.html>

<sup>2</sup> [https://americashealthcarefuture.org/wp-content/uploads/2021/06/MedicareCosts\\_Whitepaper.pdf](https://americashealthcarefuture.org/wp-content/uploads/2021/06/MedicareCosts_Whitepaper.pdf)

## **Prescription Drug Pricing**

**The FAH strongly supports market-based approaches that will address the skyrocketing rise in prescription drug prices.** This could include stimulating competition by addressing loopholes in patent laws and facilitating the introduction of generic equivalent drugs.

In 2019, the FAH, American Hospital Association (AHA), and American Society of Health-System Pharmacists (ASHP) released a report that found that hospital budget pressures resulting from the continued dramatic increases in drug prices have negative impacts on patient care, with hospitals being forced to delay infrastructure investments, reduce staffing, and identify alternative therapies. Hospitals also struggle with drug shortages, which can disrupt typical work patterns and patient care, and often require significant staff time to address.<sup>3</sup>

Specifically, the report showed that:

- Average total drug spending per hospital admission increased by 18.5% between FY 2015 and FY 2017
- Outpatient drug spending per admission increased by 28.7% while inpatient drug spending per admission increased by 9.6% between FY 2015 and FY 2017
  - This 9.6% increase was on top of the 38% increase in inpatient drug spending between FY 2013 and FY 2015 included in the previous report
- Very large percentage increases (over 80%) of unit price were seen across different classes of drugs, including those for anesthetics, parenteral solutions, and chemotherapy
- Over 90% of surveyed hospitals reported having to identify alternative therapies to manage spending
- One in four hospitals had to cut staff to mitigate budget pressures
- Almost 80% of hospitals found it extremely challenging to obtain drugs experiencing shortages, while almost 80% also said that drug shortages resulted in increased spending on drugs to a moderate or large extent

## **Health Equity**

The events of 2020 shone a bright light on the national need to address equity, including in health care. **The FAH continues to be a vocal proponent of health equity** – including maternal and behavioral health – and most recently endorsed the *Black Maternal Health Momnibus Act of 2021*.<sup>4</sup> The FAH applauds the enhanced focus by both the Administration and Congress on health equity, particularly in underserved and rural communities.

## **Health Care Workforce**

Among the greatest challenges facing hospitals today is maintaining an adequate workforce. The relative stagnation of vaccinations and rise in hospitalizations due to the Delta

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<sup>3</sup> [https://www.fah.org/wp-content/uploads/documents/AHA\\_Drug\\_Pricing\\_Study\\_Report\\_FINAL\\_01152019.pdf](https://www.fah.org/wp-content/uploads/documents/AHA_Drug_Pricing_Study_Report_FINAL_01152019.pdf)

<sup>4</sup> <https://underwood.house.gov/sites/underwood.house.gov/files/Quotes%20In%20Support%20of%20Black%20Maternal%20Health%20Momnibus.pdf>

variant resurgence has only exacerbated the crisis. A combination of physician and staffing shortages, along with provider burnout, are creating a significant strain on hospitals. **We urge Congress to prioritize measures to support frontline health care providers and maintain a robust workforce** in both the short and long term, including:

- Extend the Medicare-funded residency training slots cap building period to ten years, as opposed to the current five years, for new teaching hospitals
- Amend the Immigrant Visa Prioritization guidance and direct U.S. Embassies and Consulates to prioritize issuing immigrant visas to foreign-trained nurses and medical professionals
- Recapture 25,000 unused immigrant visas for nurses and 15,000 unused immigrant visas for doctors that Congress has previously authorized and allocate those visas to international doctors and nurses (*Healthcare Workforce Resilience Act*)<sup>5</sup>
- Enhance investment in provider loan repayment programs, including the Nurse Corps., to incentivize providing care in rural and underserved communities
- Postpone CMS nursing and allied health direct graduate medical education (GME) recoupment to allow resolution of this issue without implementing severe payment cuts

### **Rural Health**

Long before the COVID-19 pandemic, rural hospitals struggled to sustain operations and services, with over 100 rural hospitals closing between January 2013 - February 2020.<sup>6</sup> The pandemic has further threatened access to care in rural communities. **Congress now has the opportunity to support rural hospitals and bring greater certainty to their sustainability** in the future by:

- Making permanent the current Low Volume Hospital (LVH) and Medicare-dependent Hospital (MDH) programs
- Ensuring equitable payment policies for treating low-income Americans by, for example, removing the current 12% Disproportionate Share Hospital (DSH) payment cap that currently applies to rural hospitals (with some exceptions)

### **Post-Acute Care**

**The FAH strongly supports the enactment of H.R. 2455, *The Resetting the Impact Act (TRIA) of 2021*.** This bipartisan bill will reset and recalibrate the Improving Medicare Post-Acute Care Transformation (“IMPACT”) Act’s implementation timeline so that the development of a prototype unified post-acute care (“PAC”) payment system incorporates and reflects the insights gained from COVID-19’s impact on PAC providers and their patients.

Moving forward under the timeline of the original 2014 IMPACT Act, and ignoring both the fundamental changes in care post-COVID as well as the recent CMS redesigns of the four

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<sup>5</sup> <https://www.durbin.senate.gov/newsroom/press-releases/durbin-cornyn-leahy-young-coon-collins-introduce-bipartisan-bill-addressing-shortage-of-doctors-nurses>

<sup>6</sup> <https://www.gao.gov/products/gao-21-93>

post-acute prospective payment systems, undermines Congressional intent to create a truly patient-centered post-acute care delivery system.

Along with the FAH, the bill is supported by the American Health Care Association (AHCA), American Hospital Association (AHA),<sup>7</sup> American Medical Rehabilitation Providers Association (AMRPA), and the National Association of Long Term Hospitals (NALTH).

### **Pandemic Preparedness**

**We urge Congress to sufficiently fund measures to prepare the nation for future pandemics.** With an end not yet in sight, the complete toll of the COVID-19 pandemic is still to be determined. As such, we must consider lessons learned, strategize accordingly, and adequately invest in the resources necessary to prepare and respond to future pandemics.

### **Offsets**

**The relentless surge in COVID-19 cases and hospitalizations continues to challenge the resiliency of our health care infrastructure and our caregiver heroes on the frontline. Increasing the domestic corporate tax rate for tax-paying hospitals and health care providers simply weakens our ability to fight the pandemic.** As the first or second largest employer in most communities, an increase in the corporate tax rate will negatively impact the ability of our hospitals to hire and retain employees at higher wages, as well as invest in infrastructure improvements to our facilities.

The spread of COVID variants during an unpredictable winter season could yield further strain on hospitals, including once again having to suspend or postpone non-emergent procedures. It is an inappropriate time to increase taxes on tax-paying hospitals whose focus remains on defeating the pandemic and keeping our doors open for both COVID and non-COVID patients alike.

**We further urge Congress not to implement any provider reimbursement cuts as an offset for the reconciliation package.** While hospitals appreciate that the Provider Relief Funds (PRF) were not utilized as an offset for the Senate's bipartisan infrastructure package, we were disappointed by the further extension of the 2% Medicare sequester to pay for non-health related measures.

We were pleased to see that President Biden's FY 2022 budget took a fresh approach and did not appear to include many of the hospital cuts that have been proposed by previous Administrations, and we urge Congress to follow the same path.

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<sup>7</sup> <https://www.aha.org/system/files/media/file/2021/04/aha-expresses-support-of-resetting-impact-act-tria-of-2021-4-12-21.pdf>

**Conclusion:**

While not an exhaustive list of our legislative priorities, we hope that our recommendations will be helpful as House and Senate Committees craft the budget reconciliation framework. We look forward to working with you.

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If you have any questions or wish to speak further, please do not hesitate to reach out to me or a member of my staff at 202-624-1534.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew M. Romanoff". The signature is fluid and cursive, with a large initial "A" and "M".