

August 7, 2020

Submitted by email: CascadeCare@wahbexchange.org

Joan Altman
Director of Government Affairs and Strategic Partnerships
Health Benefit Exchange
810 Jefferson Street
Olympia, WA 98501

RE: Policy Comments Related to the Subsidy Study in Senate Bill 5526 (Cascade Care)

Dear Ms. Altman,

The Washington State Hospital Association (WSHA) represents all the community hospitals and health systems in the state. Our hospital members range from large health care delivery systems that span across several counties to small hospitals that are often the only health care safety net provider in rural communities. Many hospital patients are predominately low income, including those who are uninsured, receive charity care or enrolled in Medicaid or Medicare. Washington hospitals have a long history of supporting thoughtful efforts to expand meaningful insurance coverage among Washingtonians and continue to be a voice of advocacy on this issue.

WSHA appreciates the Health Benefit Exchange's (HBE) work to implement section 6 (the subsidy study) in the Cascade Care legislation. WSHA strongly urges the HBE to ***examine potential funding source models other than those that unduly burden hospitals***. To this effect, WSHA offers the following comments:

Ways Hospitals Already Subsidize Low-Income Health Care in Washington

- ***Public option health plans.*** As you are aware, hospital and provider payment rates are capped in public option health plans. Medicare does not cover the cost of care in aggregate and the variations differ by service and facility. Even with payments allowed above Medicare, public option patients will pay less than commercially insured patients, resulting in hospitals subsidizing the shortfall.
- ***Medicaid.*** Statewide, a significant portion of hospital patients are enrolled in Medicaid or Medicare. However, Medicaid only pays about 68% of the cost of care and Medicare pays about 80% of the cost of care. While hospitals try to offset the losses generated by Medicaid and Medicare with commercial patients or diversifying their service lines, hospitals absorb most of these losses. Note that as Washington experiences unprecedented unemployment rates and more residents lose their employer provided commercial health care, many will turn to Medicaid. As Medicaid enrollment rises, so do hospital losses from low Medicaid payment rates.
- ***The uninsured.*** For hospital patients without health insurance, hospitals offer charity care or uncompensated care. The pandemic's economic fallout has had a tremendous impact on the unemployment rate. For those who lose their commercial insurance but do not qualify for Medicaid, many will choose to be uninsured. Last year, hospitals in Washington collectively

provided these patients with over \$570 million in charity care or uncompensated care. It is likely that this demand will significantly increase this year and for as long as current economic conditions prevail.

Hospital Financials During the COVID-19 Pandemic

The COVID-19 pandemic has and will continue to have a far-reaching impact on Washington hospitals. Before the pandemic, many Washington hospitals were already in difficult financial shape. The COVID-19 response has resulted in new, unanticipated expenses and significant losses as hospitals suspended or significantly curtailed their normal course of business to care for acute COVID-19 patients. Just in March and April alone, hospitals incurred more than \$450 million in losses that have not been offset by federal funding. Hospital operating margins have also seen a significant decline (-16.2% in April).

As the pandemic stretches through the summer and into the rest of the year, hospital revenue losses will continue. The economic recovery will not be instantaneous and there will likely be future COVID-19 surges. While additional federal funding may be coming, it is far from certain how much that will be and how it may be used.

This period of uncertainty is not the time for hospitals to bear new financial burdens by the state. As long-time champions for affordable health options for Washingtonians, hospitals stand on the front line to ensure that residents have access to care, especially during this once-in-a-lifetime pandemic. But this needs to be balanced with the financial reality facing hospitals today and for the foreseeable future.

The HBE Should Explore Funding Opportunities that Spread the Burden of Financing Low-Income Health Care

In the 2020 legislative session, several bills were introduced that proposed different ways to finance premiums subsidies. We encourage the HBE to re-examine each of those bills to determine if they continue to be feasible going forward.

The HBE may also want to consider leveraging an opportunity from the soon to be permanently repealed federal Health Insurance Tax (HIT). Could the HIT be replaced by a similar tax at the state level, with proceeds directed specifically to fund subsidies on the Exchange? Are other states exploring this and can Washington learn from their efforts? This may be one way the HBE spreads the cost of providing affordable health care options to Washington residents across all participants – not just hospitals.

WSHA look forward to working with you and the HBE on this issue. If you have any questions, please do not hesitate to contact me at ShirleyP@wsa.org.

Sincerely,



Shirley Prasad, JD
Policy Director, Government Affairs