



May 23, 2017

The Honorable Orrin Hatch
Chairman
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Chairman Hatch:

Thank you for your outstanding and thoughtful leadership of the Committee on Finance. As the Committee prepares to consider ways to improve the healthcare marketplace, the Healthcare Leadership Council (HLC) welcomes the opportunity to share our thoughts on this important topic. HLC agrees with the Committee that parts of the Affordable Care Act (ACA) are unsustainable, but we are also sharing our ideas on how to keep the law's promise of making healthcare accessible to all Americans.

HLC is a coalition of chief executives from all disciplines within American healthcare. Our members – the nation's leading hospitals, academic health centers, health plans, pharmaceutical companies, medical device manufacturers, biotech firms, health product distributors, pharmacies, post-acute care providers, and information technology companies – are committed to advancing a consumer-centered healthcare system that values innovation, accessibility, and affordability.

HLC strongly believes that access to health insurance should not be based on health status. Under the American Health Care Act (AHCA), consumers will continue to have guaranteed issue of coverage and no annual or lifetime caps. HLC applauds these provisions. It remains important for as many people as possible to have health insurance in order to spread risk and control costs. This is the reason an individual mandate was first used in Massachusetts under "Romney Care." If a continuous coverage requirement is utilized in the AHCA, HLC suggests that a waiting period before reinstatement of coverage would be a more effective mechanism to encourage continuous coverage than a surcharge.

Medicaid needs to continue to serve as an important and viable safety net for low-income individuals and families without access to either employer-sponsored insurance or the individual health market. If the Senate implements the AHCA's per capita model, then safeguards must be put in place to ensure adequate funding for current and future Medicaid beneficiaries. These funds must be used to provide services that will improve the health status of individuals on Medicaid and not other state priorities. Funding rates must reflect increases in the costs of medical care, growth in the volume and intensity of services per person, and demographic effects such as the aging of the population. This

funding must also be flexible enough to take into account changes over time and unforeseen circumstances such as economic downturns, major disasters, and epidemics.

The post-ACA health insurance structure must bolster the stability of the marketplace, encourage greater competition, and give all Americans enhanced choice and flexibility in their coverage. This structure must include a reinsurance program that is dedicated to offsetting the costs of high-risk individuals, which will reduce premium costs for all consumers. In addition, the cost-sharing reduction (CSR) subsidies must be fully funded. The CSRs keep healthcare affordable for low-income Americans. Without the CSRs many of these low-income individuals will no longer be able to maintain their health coverage and will have to go without necessary doctor visits, prescriptions, and other healthcare services. The lack of CSR funding will also create uncertainty in the individual insurance market as health plans face the decision whether or not to stay in the market.

HLC is pleased that the AHCA includes an advanceable, refundable tax credit that individuals can use to purchase health insurance. To stabilize the market and ensure that the credits are sufficient to buy health coverage, this credit should be linked to income and geography, as well as to age.

Consumers will be further empowered by the AHCA's repeal of the tax increase on health savings accounts and the repeal of limitations on contributions to flexible spending accounts and health savings accounts. This will allow individuals to have more funds to cover their healthcare expenses.

HLC also supports the AHCA's repeal of the ACA's taxes, including the medical device tax and the health insurance tax. These taxes have a detrimental impact on quality care and healthcare innovation. They also harm our economy and result in the loss of jobs. Additionally, we are pleased that the legislation restores the Disproportionate Share Hospital (DSH) payments. These payments compensate hospitals for the higher operating they costs they incur when treating a large share of low-income patients. The DSH funds preserve access to care for Medicare and low-income populations.

Thank you again for your consideration of these important issues. HLC looks forward to continuing to work with you. If you have any questions, please do not hesitate to contact Debbie Witchey at (202) 449-3435.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary R. Grealy".

Mary R. Grealy
President