



Senate Health Committee
Informational Hearing on the American Health Care Act
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Thank you, Mr. Chairman and Senator Atkins, for inviting me here today to testify on our views of the American Health Care Act (AHCA). The California Children's Hospital Association (CCHA) represents California's eight free-standing, not-for-profit children's hospitals. Our mission is to advance children's health and wellbeing. Our hospitals are major providers of Medi-Cal. On average, about 65 percent of the children we see are covered by Medi-Cal, California's Medicaid program. And we serve some of the sickest, most medically complex children. We have significant concerns with the AHCA.

There are 30 million children around the country who are covered by Medicaid. And because California has the largest number of people living in poverty of any state in the country, over half of all California's children, nearly six million children, get their health care from Medi-Cal. So, anything that affects the Medicaid program will have a significant effect on California's children.

In California we have achieved something really remarkable in the last few years. Today over 96 percent of children have health care coverage, an achievement made possible in large part by a combination of federal programs, including the Children's Health Insurance Program (CHIP), Medi-Cal, and the Affordable Care Act. We are concerned that these gains in coverage, and the concomitant gains in children's health and wellbeing are endangered by passage of the AHCA.

Under the AHCA, future federal funding for the Medi-Cal program would be capped based on 2016 spending adjusted for the medical component of the CPI. Since Medi-Cal funding is anticipated to grow faster than the CPI-medical inflator, over time this would create a large and growing funding shortfall for the Medi-Cal program, a program that has already undergone a substantial belt-tightening over the past 20 years. It is important to note in this respect that California was one of the earliest states to adopt aggressive fiscal management techniques for Medicaid -- including mandatory supplemental drug rebates for manufacturers, selective contracting and diagnostic related grouping (DRG) payment methodologies for hospitals, and mandatory enrollment in managed care for nearly all beneficiaries. The result is that California's per capita Medi-Cal expenditures are already some of the lowest in the country and provider reimbursement rates are significantly below cost.

Rather than rewarding California's efficiency, the AHCA penalizes California by locking in the federal match at this below average level and capping federal funding in future years. The Medi-Cal program cannot sustain significant and growing federal funding shortfalls without cuts to either eligibility or benefits. Either would put children's access to medical care at risk. California children could be further harmed in the event of an epidemic, natural disaster, or other unforeseen event that cannot be reflected in a capped funding structure.

And that is not the only cut to children included in the AHCA. The act also proposes to eliminate presumptive eligibility for Medi-Cal, which will create a further barrier to accessing care and place an additional burden on children's hospitals. All eight of our hospitals participate in the presumptive eligibility program, which enables children to obtain coverage at the point that they first arrive at the hospital. Without this program, our hospitals will shoulder greater uncompensated care costs.

While I have focused my comments on the impacts to children from the Medicaid cuts in the AHCA, the impact of the AHCA goes beyond Medicaid. Because pediatric health conditions such as spinal bifida, cystic fibrosis, and sickle cell disease can be relatively rare and difficult to treat, children with these kinds of life threatening, complex conditions rely on the same pediatric specialists, regardless of how their medical care is funded. The stability of the regionalized network of pediatric experts depends on both public and private payers. In other words, a federal cap on Medi-Cal doesn't just pose risks to children in the Medi-Cal Program. It poses risks for all children with complex medical needs.

Research indicates that Medicaid is a smart investment that pays lifelong dividends for children, families and taxpayers. National studies indicate that Medicaid coverage reduces infant mortality and morbidity. Moreover, research shows that children with coverage through the program are less likely to miss school, are healthier into adulthood, earn more in wages and pay more in taxes over the course of their lives. Cuts to Medicaid endanger these gains. For all of these reasons, we believe that the AHCA is a potential disaster for children. Thank you.

