

October 8, 2013

The Honorable Emmett W. Hanger, Jr., Chairman  
The Honorable R. Steven Landes, Vice-Chairman  
Commission Members  
Medicaid Innovation and Reform Commission  
201 North 9<sup>th</sup> Street  
Richmond, Virginia 23219

Dear Members of the Medicaid Innovation and Reform Commission:

Thank you for the opportunity to comment on Medicaid reform and expansion in Virginia. The Virginia Hospital & Healthcare Association (VHHA) and its 37 health system and hospital members representing 110 hospitals across the Commonwealth are strongly committed to driving value in health care – greater quality at lower cost – for patients, businesses, federal and state governments and others who pay for health care services. We are working together to transform the health care delivery system to make it more accessible and affordable and to improve the health status of the communities we serve. This same transformation needs to occur in Virginia’s Medicaid program.

By establishing the Medicaid Innovation and Reform Commission (MIRC), the General Assembly recognized that any expansion of Medicaid eligibility must involve reform of the program. VHHA agrees that Medicaid reforms are necessary. The General Assembly’s budget language not only provides a roadmap for implementing Medicaid reforms so that the Commonwealth can proceed with Medicaid expansion in a fiscally responsible manner, but also includes safeguards in the event the federal government reduces its share of funding below 90% of the cost of expansion.

As the MIRC has heard from the Virginia Secretary of Health and Human Resources and the Department of Medical Assistance Services, the reforms laid out by the General Assembly are well underway. Some reforms are already complete; and while the total savings from others are not immediate, Virginia’s Medicaid program is making significant progress. With Medicaid reforms already in place, it is now imperative that the Commonwealth proceed with Medicaid expansion:

<b>Reform With Expansion</b>	<b>Reform Without Expansion</b>
250,000+ Virginians gain access to health care	250,000+ Virginians without access continue to seek health care in Emergency Departments (EDs)
\$1.7 billion net <i>gain</i> to Virginia (2014-2022)  (Takes into account total ACA-related tax increases and provider cuts, ACA-related funds to Virginia from the health insurance exchange and Medicaid expansion and savings from Medicaid reforms)	\$19.6 billion net <i>loss</i> to Virginia (2014-2022)  (Takes into account total ACA-related tax increases and provider cuts, ACA-related funds to Virginia from the health insurance exchange and savings from Medicaid reforms, but excludes ACA-related funds to Virginia from Medicaid expansion)



Coordinated care leads to improved quality and controlled costs	No coordination of care or cost controls for the potential expansion population
Gateway to health delivery moved from the ED to primary care	Gateway to health delivery continues to be the ED for the potential expansion population
Cost-shift or "hidden tax" to businesses and their employees is reduced	Cost-shift or "hidden tax" to businesses and their employees increases as health care costs continue to rise

The MIRC's assessment of Medicaid reforms and decisions regarding expansion will have wide-ranging impacts across the Commonwealth. Hospitals and health systems are large employers – often one of the three largest in a geographic area – and represent economic engines in their communities. As a result, public policy decisions that affect hospitals' and health systems' ability to sustain their operations and maintain high quality of care not only affect providers and patients, but also the economic well-being of entire communities.

The case for Medicaid expansion is clear, and Virginia should move forward expeditiously. The budget language permits expansion by July 1, 2014. If the MIRC decides against or even delays expansion, Virginia forfeits significant federal funding. At the same time, regardless of the MIRC's expansion decision, Virginians will incur \$29.7 billion in ACA-related taxes and provider cuts imposed by the federal government to pay for health care reform throughout the nation. Without expansion, Virginia not only experiences a net loss of federal funding, but hundreds of thousands of Virginians will continue to go without access to needed health care services. Any uncertainty about the federal government's role in funding expansion in the future is already addressed in the budget language that requires the Commonwealth to curtail eligibility if the federal match decreases below 90%.

The work of Medicaid reform is not complete, but the significant changes already underway allow the Commonwealth to proceed with Medicaid expansion in a fiscally responsible manner that reduces the number of uninsured, provides a return on federal tax dollars and presents a more sustainable approach to health care delivery. Even further gains could be achieved in Medicaid expansion by including accountability for spending through beneficiary cost-sharing, incentives for healthy behavior, enhanced benefit design and performance-based incentives to improve quality of care delivered by managed care plans and providers as has been done in other states. We look forward to working with you to expand Medicaid in a way that is right for Virginia.

Thank you again for this opportunity to comment.

Sincerely,

Laurens Sartoris  
President