Policy Brief

March 23, 2018

Congress Passes Federal Spending Bill

Congress passed a $1.3 trillion spending bill this morning to fund the federal government. The bill provided $3 billion to the National Institutes of Health (NIH) and also raised funding for a program that helps fund mental health services in K-12 schools. Despite efforts to stabilize the health insurance market, policy makers did *not* include funding for the Cost-Sharing Reduction (CSR) payments in the bill.

Shaky Ground for Tax-Exempt Status

Recently, Senators Charles Grassley and Orin Hatch sent a letter to the Internal Revenue Services (IRS) questioning whether non-profit hospitals provide enough charity care and community benefit to justify their tax-exempt status. Under increasing government scrutiny, hospitals need to ensure that their own charitable programs can withstand the crack down. Below is what's sparking the criticism.

- After the Affordable Care Act (ACA), hospital revenue went up while charity care decreased due to the rise of insured patients. Critics argue that because of this increase, tax-exempt hospitals are not providing sufficient charity care.

- A 2017 study found that hospitals spent between 1.1% and 20.1% of their operating costs on charity care; the top 20 hospitals by revenue only attributed between 3.99% and 5.21%.

- Community benefit spending for the nation's top hospitals has remained the same or declined since the ACA took effect.

These criticisms are undermining hospitals' tax-exempt status, spurring government agencies to look more aggressively for abuse. The IRS has revoked the tax-exempt status of hospitals that don't meet the ACA community benefit requirements. The Senators' letter may lead to stricter reporting requirements for hospitals' charity care and community benefit programs. Hospitals need to ensure their tax-exempt status remains justified.

The Hospitals of The Future

When we think of a hospital, a full-service, high-capacity facility may come to mind. As we move into the future, that familiar picture of inpatient-only care delivery is likely to change. Numerous articles and executive interviews have been released outlining futuristic hospital projections. Although flying cars don't seem to be on the horizon, here's a peek into the likely appearance of hospitals in the future: tech-savvy, limitless and consumer-centric.

Hospitals are tech-savvy.

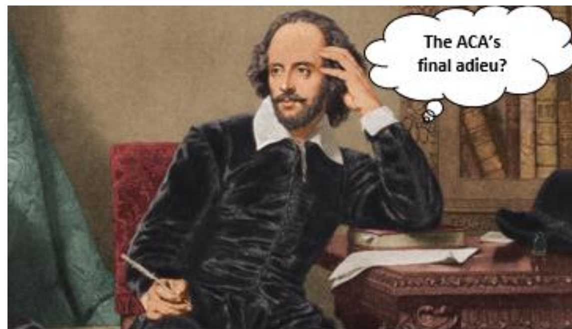
The use of technology will increase with digital services expanding access to the health system. From Intermountain Health launching a "hospital without walls," to the Department of Veterans Affairs' creation of a national veteran telehealth network, video conferencing is already being used to bring care directly into the patient's home. Advanced simulators and holographic technology are being used to provide clinicians with an immersive virtual reality to hone their skills and explore new techniques.

Hospitals are limitless.

No longer is the delivery of care being confined to the inpatient setting. Rather, hospitals are expanding their reach, bringing care to the consumer in creative ways. Patients are having hospital-quality care delivered in their living rooms. Large facilities are downsizing to multiple small neighborhood hospitals and launching Ambulatory Surgical Centers.

Hospitals are consumer-centric.

Perhaps the greatest and most meaningful trend is the renewed focus on patient needs and desires. Hospitals are increasingly putting patients in the driver's seat; incorporating their input into executive decisions about locations, services provided, research initiatives and even architecture. Patients' personal data will continue to become more portable and be leveraged by predictive technologies to treat disease and advise on preventative care. Facilities will have fewer beds and provide a more consumer-centric experience by transitioning into "health villages" with wellness centers, outpatient services and retail.



The Affordable Care Act
To Be or Not to Be, That is the Question

Whether 'tis nobler to follow ACA requirements or to take arms against a sea of troubles by opposing them. Since the failed Republican effort to repeal and replace the ACA, there has been a tug of war in Congress and state legislatures between ensuring the success of the ACA and destabilizing it. Below is an outline of the efforts on both sides.

Efforts to Destabilize the ACA

With the backing of the White House, Republicans have significantly weakened the ACA by: (1) Repealing the individual mandate, (2) Extending the length of short-term plans from three months to one year and (3) Eliminating the CSR payments.

Efforts to Stabilize the ACA

There are two key pieces of Congressional legislation that are intended to bolster the ACA. A bill by Senator Lamar Alexander would restore the CSR payments to insurers. Another by Senators Susan Collins and Bill Nelson would use the federal savings from the CSR payments to fund reinsurance pools to help insurers cover the high costs of sick enrollees.

Additionally, the Centers for Medicare and Medicaid Services (CMS) released a statement warning states that the ACA is still the law of the land and that the Agency will enforce and uphold the law. This was in response to Idaho offering five new insurance plans in the state's Health Insurance Exchange that don't meet the coverage requirements of the ACA.

The ongoing tussle amongst legislators for and against the ACA leaves the question, will the ACA bear the fate of Hamlet or will it live on in legacy as the Shakespearean tragedy itself?

An Update on the 340B Drug Discount Program

As explained in the last Policy Brief, the 340B program is garnering attention from policy makers. Below is an outline of what happened last week.

- At the National Association of Community Health Centers, HHS Secretary Alex Azar in reference to the 340B program remarked, "*we're committed to greater transparency about prices, and ensuring… that discounts reach the patient rather than being captured by middlemen.*"

- The Committee on Health, Education, Labor and Pensions (HELP) held a meeting on the 340B program. Below are the perspectives shared in the Committee.

  Pharma argued that 340B hospitals:
  - Buy drugs at a discounted price and resell them at a higher price.
  - Charge low income patients the list price for drugs and don't pass the savings to the patients.
  - Acquire independent pharmacies to qualify for the 340B program but make the drug costs higher.

  Hospitals argued:
  - Savings from the 340B program support their high uncompensated care costs.
  - The 340B program protects hospitals from high drug prices.

Congress plans to hold further hearings on the 340B program and potential reforms are forthcoming. Stay tuned for more updates.