

THE BRUTAL HOSPITAL CUTS IN PRESIDENT TRUMP'S FY 2019 BUDGET PROPOSAL

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President Donald Trump's Federal fiscal year (FY) 2019 budget, "Efficient, Effective, Accountable: An American Budget," severely cuts Medicare and Medicaid funding for teaching and safety net hospitals. If enacted, the cuts would deeply compromise GNYHA members' ability to serve their patients and communities.

GNYHA strongly opposes the below provisions:

Graduate Medical Education (GME) Cuts

The President's budget would cut GME funding by \$48 billion over the next 10 years by consolidating GME spending from Medicare, Medicaid, and the Children's Hospital GME program into a single grant program and redistribute it across teaching hospitals. The available funding would be based on FY 2016 spending levels and adjusted each year by the Consumer Price Index minus one percent.

Payments to teaching hospitals would be redistributed based on the number of residents (up to the hospital's resident cap) and the hospital's share of Medicare and Medicaid inpatient days. The Health & Human Services Secretary would have the authority to modify payment amounts based on whether a hospital is training residents in "priority specialties" and other criteria.

Medicare Uncompensated Care (UC) Pool Cuts

Beginning in FY 2020, the budget cuts Medicare UC pool payments by \$69.5 billion over 10 years via several distribution changes. In addition, UC payments would be distributed based on bad debt and chari-

ty care reported on Worksheet S-10 of hospital cost reports.

Medicare "Site-Neutral" Cuts

The President's budget would reduce payments to hospital outpatient departments (HOPDs) by \$34 billion over 10 years by reimbursing hospitals for all outpatient services provided at "off-campus" locations at the much lower physician rate. This proposal effectively eliminates all current exceptions to the site-neutral payment policy, including those for grandfathered and "mid-build" sites, and cancer hospitals.

Medicare Bad Debt Cuts

The budget would reduce Medicare bad debt payments from 65% to 25% for all eligible providers over three years—a \$37 billion cut over 10 years.

Medicaid Cuts

The President's budget would cut Federal spending by \$674.7 billion over 10 years by repealing the Affordable Care Act (ACA) and replacing the current Medicaid matching formula with a Medicaid block grant, or per capita cap, to states.



GNYHA is a dynamic, constantly evolving center for health care advocacy and expertise, but our core mission—helping hospitals deliver the finest patient care in the most cost-effective way—never changes.

The budget also extends the ACA's Medicaid DSH cuts by continuing Medicaid DSH allotment reductions at \$8 billion per year from FY 2026 through FY 2028, cutting safety net hospital payments by \$19.5 billion over FYs 2027-28.

340B Program

The President's budget proposes multiple changes to the 340B Drug Pricing program, such as implementing a new user fee on all drugs purchased by covered entities, increasing the Health Resources

and Services Administration's regulatory authority and enacting more stringent reporting requirements. Under this proposal, the Centers for Medicare & Medicaid Services (CMS) could redistribute savings from reduced payments to 340B hospitals in a non-budget-neutral manner. CMS would redistribute the savings from hospitals that have uncompensated care in excess of 1% of their patient costs and return the savings from any hospital that does not meet this to the Medicare Trust Fund.