City and County of San Francisco
Mark Farrell
Mayor

San Francisco Department of Public Health
Barbara A. Garcia, MPA
Director of Health

Office of Policy and Planning

Summary of Current Federal Health Policy Issues, as of 2/3/17

On Monday January 22, President Trump signed a stopgap funding bill, officially ending the three-day government shutdown. The measure passed both the Senate and House by large margins, and funds the government through February 8. In the upcoming budget negotiations, many federal health programs have been caught in the crosshairs of this debate, this includes community health centers, disproportionate share hospitals payments and 340B cuts.

ISSUE	DESCRIPTION	STATUS	IMPACT
Tax Reform and the Health Care Landscape	The Republican tax plan slashes the corporate and individual income rates, eliminates numerous deductions and sets up a new system for international taxation. The bill is expected to impact the overall federal deficit, which will increase by an estimated $1.45 trillion after allowing for predicted economic growth. The tax bill represents the fourth or fifth largest cut in modern history. The bill delivers a cut to corporations — from a 35% to 21% — and brings down most individuals' tax rates as well. In the short term, more of the tax cut goes to individuals than businesses, but this reverses over the long term. As individual tax cuts will expire in 2025 so the law complies with Senate rules limiting the impact of legislation on the deficit after 10 years. The corporate tax cut is left permanent. Most Americans will get an immediate tax cut, but the wealthy get much more. The tax bill eliminates the ability of taxpayers to deduct more than $10,000 in state and local taxes (SALT) from their federal tax returns. Lastly, It takes away a key	On 12/22/17, President Trump signed the tax reform bill, Tax Cuts and Jobs Act, into law. The bill repeals the ACA's individual insurance mandate, making it the most significant change to health care legislation enacted since the ACA passed in 2010. Even though the bill is expected to impact the overall federal deficit, increasing it by an estimated $1.45 trillion after allowing for predicted economic growth, language in December 2017's continuing resolution waives the pay-as-you-go rule requiring spending cuts to Medicare and other programs that would have been triggered by the added debt from the tax bill. The final bill omits several proposals present in the House Bill, including provisions ending deductions for out-of-pocket medical expense (the bill instead includes a two-year expansion of the provision), exemptions for tuition-waivers used by graduate students for income tax filings, and the student loan interest deduction.	According to the Congressional Budget Office (CBO), a repeal of the mandate will decrease government expenditures, result in 13 million fewer people having health insurance by 2027, and raise premiums. Based on a straight population calculation, it is estimated the number of uninsured San Francisco residents would increase by approximately 35,000. Due to San Francisco's local health care laws and the strength of Covered California's consumer protections, the City may not see a decrease of this size in insurance coverage. Although, the pay-as-you-go rule was waived, the expected deficit increase is already leading to renewed calls to reduce entitlement spending, with some Republican leaders specifying federal spending reductions to social and health programs as a

	part of the Affordable Care Act – the individual mandate.		legislative priority in the upcoming year.
Children's Health Insurance Program (CHIP)	California's Children's Health Insurance Program (CHIP) is a federal and state partnership designed to provide low-income children with health insurance coverage. In, California, the (CHIP) builds on the foundation of Medi-Cal by providing comprehensive coverage to children in working families who earn too much to qualify for Medi-Cal but lack access to affordable private coverage. CHIP funding expands coverage for children in the Medi-Cal program, covering 41 percent of all children and 42 percent of children with disabilities or special health care needs.	On 1/22/18, the president signed a continuing resolution that includes funding for CHIP for the next six years after having expired in October 2017. As part of the funding extension, current enhanced CHIP match rate continues "as is" for FFY18 and FFY19 and is then reduced by 11.5% in FFY20 (i.e. the enhancement is cut in half). In FFY21, states go back to CHIP's regular match rate. Another important issue addressed by the funding extension is the "maintenance of effort" provision, which requires states to continue income eligibility levels that were in place as of the date of enactment of the ACA. This provision, which ensures that kids have a stable source of coverage, remains.	CA was scheduled run out of CHIP funds by March 2018. Due to the funding extension for the CHIP program, 1.3 million children and pregnant women in California who are enrolled in CHIP will to continue to receive health coverage through Medi-Cal. There are approximately 15,000 children in San Francisco under the CHIP.
Medicaid Disproportionate Share Hospital (DSH) payment reductions	Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying hospitals that serve a large number of Medicaid and uninsured individuals. Based on the assumption of increased coverage and reduced uncompensated under the ACA, the law calls for a reduction in DSH allotments. The statute originally called for reductions in DSH funding from FY 2014 through FY 2020. The reductions were delayed until 2017.	The DSH payment reductions went into effect October 1, 2017. There were several attempts through House bills to delays DSH reductions. This first failed House bill called for delays for FY 17-18 and 18-19, and imposed steep cuts in FY 20-21 ($8.0 billion – initially scheduled for FY 2024). The introduced House second CR called for delays payments until FY 20-21 and cuts payments by $4.0 billion in 2020 and $8.0 billion for each of fiscal year 2021 through 2025. Neither House Bills made it through the Senate. Public hospital advocates continue to request delays to ease the burden of uncompensated care costs.	According to the current federal reduction schedule, San Francisco already expected an $11.09M cut in FY 17-18 and it gradually increasing $38.81M by FY 2024. Pending changes in federal legislation, these scheduled reductions may change. The next available opportunity for delay in reductions is in the upcoming federal budget negotiations (2/9/2018)

California's Safety Net of Community Health Centers	Community health centers (CHC) are community-based and patient-directed organizations that serve populations with limited access to health care. Federal grants represent a key source of funding for the nation's CHCs through the Health Center Trust Fund (HCTF) – which includes both annual discretionary and mandatory funding. In California, there a total of 176 health centers delivering care through over 1,500 delivery sites. These centers provide care to over 4 million patients in the state, accounting for over 17% of all patients served by health centers nationwide.	The mandatory portion for the CHC funding sunset on September 30, 2017. Previous House bills included two years of funding for community health centers, but they did not make it through the Senate.	CA could lose over $300 million in federal funds if Congress does not act to extend the funding. The San Francisco Community Clinic Consortium (SFCCC), the collective of San Francisco's community health centers, estimates the federal funding loss to San Francisco's community clinics to be approximately $14,520,000. These losses include impacts to six SFDPH clinics, whose funding loss would total $980,916. The next available opportunity for funding is in the upcoming federal budget negotiations (2/8/2018).
The Nation's Opioid Crisis	In 2016, more than two million Americans had an addiction to prescription or illicit opioids. Drug overdoses are now the leading cause of injury death in the United States, outnumbering both traffic crashes and gun-related deaths. In 2016, more than 64,000 people died of drug overdoses in America — with synthetic opioids (such as fentanyl), heroin, and common opioid painkillers topping causes of overdose. This represents a rate of 175 deaths a day. Since 2000, over 300,000 Americans have died from overdoses involving opioids. Experts predict that the death toll over the next decade from opioids could top 650,000.	On 10/26/17 Trump formally announced that he is directing HHS to declare the opioid crisis a public health emergency. On 11/2/17 Trump's Commission on Combating Drug Addiction and the Opioid Crisis, chaired by NJ Gov. Chris Christie released its report of final recommendations to address the crisis. On 11/26/17 the U.S. House Oversight and Government Reform Committee held its first hearing on the report. On 11/29/17, it was announced that Kellyanne Conway will lead the White House effort to combat opioid addiction as the new Opioid Czar. On 1/24/18, HHS renewed the public health emergency declaration for the opioid crisis. The new declaration will last until 4/23/18.	The public health emergency declaration does not provide any direct funding, but may provide opportunities to increase addiction treatment. It may provide a pathway to eliminate the Institutes for Mental Diseases (IMD) exclusion within the Medicaid program, allowing for federal reimbursement for residential treatment in facilities with more than 16 beds. Additionally, it may establish a federal fund to incentivize enhanced access to Medication-Assisted Treatment (MAT). The new declaration continues to give federal health agencies the authority to quickly hire more treatment specialists, reallocate money to

			treatment specialists, and reallocate money to strengthen the response to the epidemic. Public health experts contend that the declaration has had little impact on the crisis, especially given that new funding or resources to help states respond to the crisis have yet to be provided.
340B Drug Discount Program	The 340B Drug Discount Program is a federal program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations at significantly reduced prices. Under 340B, eligible safety-net hospitals buy drugs at a discount from the pharmaceutical companies and then are reimbursed for those purchases from Medicare, providing them additional resources for serving patients.	On 1/1/2018 The Centers for Medicare & Medicaid Services (CMS) final rule to cut Medicare payments for hospitals enrolled in the 340B program took effect following a federal court decision dismissing a legal challenge from hospital associations. The associations have stated they will continue to fight the rule, but it is unclear when any new action will be taken. In Congress, two competing bi-partisan bills have been introduced that aim to address different aspects of the 340B program. One bill would institute a moratorium on the new CMS rule (McKinley-Thompson bill), while the other would impose new reporting requirement for the 340B program and limit the number hospitals that can enroll in the program (Bucshon-Peters bill). In California, Governor's 2018-19 budget proposal includes a provisioning restricting the use of federal 340B Drug Pricing Program reimbursements by Medi-Cal effective July 1, 2019	The final CMS rule cut Medicare payments for hospitals enrolled in the 340B program by 28 percent, or about $1.6 billion. SFDPH would experience impact from changes under the new rule, as it uses the 340B Program to fund direct health services to residents of San Francisco. The financial impact is estimated to be $500,000. The next available opportunity for funding is in the upcoming federal budget negotiations (2/8/2018)