

Hospitals Fret Over Financial Impact of ACA Repeal

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Hospitals and physicians are having a hard time grasping how the Affordable Care Act can be repealed by the Trump administration without a plan to replace or continue coverage for the nearly 20 million Americans who are now insured on the exchanges or through Medicaid expansion in 31 states and the District of Columbia.

"It's our hope that, with the election behind us, our newly elected leaders in Washington will come together to ensure 100% access and 100% affordable coverage for every American," said Ascension CEO Anthony Tersigni.

St. Louis-based Ascension is the nation's largest not-for-profit hospital system with about \$20.5 billion in revenue.

Donald Trump's election has thrown the entire industry into "uncertainty," said Robert Annas, senior managing director of SOLIC Capital, a private equity company that owns a hospitalist staffing unit and a telemedicine business.

On the one hand, the president-elect will surely make good on his fundamental promise to uproot Obamacare in some form.

But hospitals, especially those in rural areas, could be tremendously hard hit if the replacement rolls back the progress made under the ACA to insure patients and incentivize them to get care before their illnesses require emergency room visits or hospitalization, Annas said.

"Our problem is we don't have specifics" about Trump's alternatives, he said.

Investors are concerned that whatever is coming won't be as lucrative to providers as the ACA.

Shares of hospital companies slumped at the opening bell Wednesday, though the benchmark Standard & Poor's 500 index was up 1% at 1 p.m. ET, despite a futures sell-off after Trump won the election.

Shares of Community Health Systems, which counts a high percentage of rural hospitals among its 158 hospitals nationally, were down 29% at 1 p.m. The struggling system saw its shares drop \$1.75 to \$4.19 despite already being depressed over the past year.

Tenet Healthcare Corp. shares fell 25% by 1 p.m., down \$5.04 per share to \$15.23.

Even healthier chains were taking a beating. Shares of HCA Holdings were down 14% by 1 p.m. and LifePoint Health's were down 13%.

In a note to investors Wednesday, Fitch Ratings warned that "successful efforts to repeal or materially replace the ACA would be a credit negative for healthcare providers as it is contributing to higher volumes of insured patients."

"Taken at face value, this would also be modestly negative for the pharmaceutical industry should fewer patients retain prescription coverage," Fitch said.

Mizuho Securities went a step further. The securities giant Wednesday issued a blanket downgrade from buy to neutral on "ACA vulnerable stocks" in the healthcare services sector: AmSurg, Universal Health Services and Mednax.

"The worst possible outcome for healthcare stocks is a reality. We see extreme risk of ACA repeal/replace, loss of the Medicaid expansion, a primary driver of results for both hospitals and health plans, and reversal of the many value-based regulations that promote home healthcare," Mizuho said.

But hospital trade groups appeared optimistic even though Modern Healthcare's spring CEO Power Panel, a survey of 86 healthcare CEOs, found that the chief executives overwhelmingly backed the ACA and supported its goal of pushing providers away from fee-for-service medicine and toward delivering value-based care.

Rick Pollack, CEO of the American Hospital Association, said in a statement that amid the changing political landscape, the trade group was committed to the same priorities: "Advancing the transformation of health care, ensuring access to coverage, preserving adequate resources for health care, protecting patient access to care, enhancing the quality of care and patient safety, and making healthcare more affordable."

America's Essential Hospitals, whose members fill a safety-net role for millions of people in communities nationwide, congratulated Trump and said it would work with the administration to create policies that provide high-quality care for vulnerable patients.

"We must sustain federal support for this mission, reject policy changes that reduce spending at the expense of coverage and access, and continue progress toward transformative approaches to better quality and value," a statement released by the group's president and CEO, Dr. Bruce Siegel, said.

The ACA helped accelerate quality and cost reforms that 21-hospital Northwell Health and hospitals across the country were already starting to put in place, said Northwell spokesman Terry Lynam.

In that sense, and because millions of new people are receiving insurance coverage, the law has boosted the system and the New York communities it serves, Lynam said.

But the ACA needs adjustments, he said. Northwell's 3-year-old health plan, CareConnect, will lose about \$100 million this year because of payment risk adjustments that peg the 100,000 members that CareConnect serves as healthier than they are.

"Changes are needed in the ACA, but the idea of dismantling it is worrisome," Lynam said.

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