

Government Relations Update – November 25, 2014

Pennsylvania Issues

Advocacy

- **State Budget:** The Pennsylvania Independent Fiscal Office (IFO) is charged with providing revenue projections for use in the state budget process along with impartial analysis of fiscal, economic and budgetary issues to assist the General Assembly. On November 13, 2014, the IFO released its updated long-term economic and budget outlook, which included a projected \$1.85 billion budget shortfall for fiscal year 2015-2016. According to the IFO, non-recurring revenues and one-time costs savings employed in the fiscal year 2014-15 budget contribute significantly to the expected deficit. Following the IFO's release, Moody's downgraded Pennsylvania's \$11.1 billion general obligation bonds, marking the second such downgrade in two years.

The Pennsylvania Treasury Department created a \$1.5 billion line of credit in September, when the cash balance of Pennsylvania's primary operating account, the General Fund, fell below zero by \$20 million. At that time, the Corbett Administration borrowed \$700 million from the line of credit to maintain normal operations. The move was followed within days by a downgrade of Pennsylvania's credit from Fitch and Standard and Poor's. In a separate release on November 13, 2014, State Treasurer Rob McCord (D-PA) reported that the General Fund nearly ran out of cash for the second time in less than two months, causing the Corbett Administration to borrow another \$750 million from the line of credit. Moreover, Treasurer McCord announced that the Corbett Administration expects to borrow the final \$50 million by the end of this month.

Governor-elect Tom Wolf (D-PA) is calling the situation a financial crisis. Governor Corbett (R-PA) responded that the situation is normal and that tax revenues usually rebound in April. Meanwhile, the Hospital & Healthsystem Association of Pennsylvania has begun meeting with Governor-elect Wolf's transition team to try to maintain funding to the Department of Public Welfare.

Miscellaneous

- **Pennsylvania House Reorganization:** On November 12, 2014, House members elected new leaders for the 2015-2016 legislative session. House Republicans elected Majority Leader Mike Turzai (R-Allegheny) as the next Speaker of the House, Representative Dave Reed (R-Indiana) as Majority Leader, Representative Bryan Cutler (R-Lancaster) as Majority Whip and Representative Sandra Major (R-Susquehanna) as Caucus Chair and re-elected Representative Bill Adolph (R-Delaware) as House Appropriations Committee Majority Chair. Majority Leader Turzai will replace Speaker Sam Smith (R-Jefferson), who is retiring. House Republicans will maintain their majority for the third consecutive session with 119 Republicans and 84 Democrats. House Democrats retained all their leadership positions. House Democrats also welcomed four new members, including Representative-elect Peter Schweyer (D-Lehigh), who will represent the newly created 22nd House District in Lehigh County. Representative-elect Schweyer previously served as a member of Allentown City Council and Chief of Staff for former Representative Jennifer Mann (D-Lehigh).
- **Pennsylvania Senate Republican Reorganization:** Senate Republicans gained three seats in the November 4th election and now hold a 30 to 20 majority. On November 12, 2014, Senate Republicans reelected Senator Joe Scarnati (R-Jefferson) to serve a 5th term as President Pro Tempore and elected Senator Jake Corman (R-Centre) as the new Senate Republican Majority Leader. Senator Corman defeated Senator Dominic Pileggi (R-Delaware) for the role, which Senator Pileggi has held since 2006. Senator Pileggi has been criticized by conservative members of the caucus for supporting labor unions and failing to address public pension reform or liquor privatization. Senator Corman has promised to promote fiscal responsibility and to control spending.

Senate Republicans also elected Senator Pat Browne (R-Lehigh, Northampton) to serve as Senate Appropriations Chair and Senator Bob Mensch (R-Montgomery) as Majority Caucus Chairman. In this role, Senator Mensch will chair caucus meetings and develop the caucus strategy. Following the elections, Senate President Pro Tempore Joe Scarnati appointed Senator David Argall (R-Schuylkill) to serve as Chairman of the Senate Majority Policy Committee. The Senate Majority Policy Committee works with members of the Senate to develop new legislation addressing key policy initiatives.

Federal Issues

Advocacy

- **Immigration Accountability Executive Action (IAEA)**: On November 20, 2014, President Obama (D) announced an executive action on immigration, entitled the Immigration Accountability Executive Action (IAEA). The IAEAs includes an adult version of Deferred Action for Childhood Arrivals, called Deferred Action for Parents, through which an estimated five million qualifying parents of U.S. citizens and lawful permanent residents, or green card holders, may regularize their status. It is anticipated that successful applicants will be afforded work authorization, albeit on a temporary basis.

The IAEA will not allow beneficiaries to receive Affordable Care Act subsidies, so the undocumented population will not automatically become insured health care consumers. The bigger impact of the IAEA on health care entities will be in their role as employers. Foreign national professionals and other workers employed by hospitals, academic medical centers, pharmaceutical and life science employers, and the broader health care workforce, including home health care and skilled worker facilities, should have access to more timely and reliable work authorization. As details of the plan are released in the coming weeks, further updates will be provided.

Miscellaneous

- **Lame Duck Session**: On November 12, 2014, federal lawmakers returned to Washington following a two month recess to complete unfinished business of the 113th Congress. During the four week lame duck session, Congress is expected to address several healthcare issues, including a possible permanent solution to the Medicare Physician Fee Schedule and a proposed extension to the Medicare Dependent Hospital (MDH) program for rural hospitals.

As reported previously, the Sustainable Growth Rate (SGR) formula was devised in 1998 as a method to control healthcare spending by tying Medicare costs to growth in the economy. As medical costs increased more quickly than inflation, the SGR formula would have caused physician payment reductions every year since 2002. In response, Congress has passed bills to delay or avert the implementation of the payment reductions, thereby avoiding the impact of the SGR formula. The cost to repeal the SGR formula had been estimated at \$300 billion over ten years. On November 18, 2014, the Congressional Budget Office reduced the estimate to \$119 billion over ten years. The most recent payment extension expires on March 31, 2015.

The MDH program provides special reimbursement rates to hospitals that serve high volumes of Medicare patients. A hospital qualifies for the MDH program if it is located in a rural area, has 100 beds or fewer, is not a "sole community hospital" and has at least 60 percent of inpatient days or discharges covered by Medicare. St. Luke's Hospital – Miners Campus (SLM) is one of 13 Pennsylvania hospitals and 200 hospitals across the country designated as a MDH. On April 1, 2014, the President signed into law *The Protecting Access to Medicare Act of 2014*, which provided an extension of the MDH program through March 31, 2015.

St. Luke's is monitoring proposals designed to resolve both of these issues.