Letter went out
11/14/93

CC: MCLAWNE, CHRIS

MEMBER:
COMMITTEE ON
ENERGY & COMMERCE
COMMITTEE ON
VETERANS' AFFAIRS
CHAIRMAN:
SUBCOMMITTEE ON
COMPENSATION,
PENSION, AND INSURANCE

Congress of the United States
House of Representatives

JIM SLATTERY
SECOND DISTRICT, KANSAS

WASHINGTON OFFICE
2243 RAYBURN HOUSE
OFFICE BUILDING
WASHINGTON, DC 20515-1602
(202) 225-6601

KANSAS OFFICES:
700 SW JACKSON
SUITE 803
TOPEKA, KS 66603
(913) 233-2503

1001 NORTH BROADWAY
SUITE C
P.O. BOX 1306
PITTSBURG, KS 66762
(316) 231-6040

October 14, 1993

The Honorable Hillary Rodham Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Hillary:

I regret that since I wrote to you on June 28, 1993, it has not been possible thus far for your staff to schedule a time for me to meet with you and Ira Magaziner to discuss issues affecting children's hospitals in health care reform. However, I understand how hectic the summer has been.

With both your schedule and my own now becoming even more demanding this fall, it may be more productive to highlight for you in this letter the issues I had wanted to raise with you in a meeting including children's hospital leaders. I believe these issues will be especially pertinent as the White House anticipates defining in legislation the President's outline of comprehensive reform.

- Children's hospitals are essential providers of care to children, because they serve disproportionately so many children of low income families and because they provide regionalized and specialized care. Therefore, in defining "essential providers" to be guaranteed right of contract with health care plans, health care reform legislation should include children's hospitals explicitly. Most parents do not need a children's hospital for children, just as most parents do not need to use catastrophic health care coverage for their children. But every parent wants to have the security of knowing not only that they have coverage but also that they can depend on it to give their child access to a children's hospital at a time of crisis.

- If risk-adjusted, capitated managed care is to work for children, it is essential that health care reform require the development of specific risk-adjustments for children, especially children with special health care needs. Since pediatric risk-adjusters do not exist, it is equally important that the federal government begin now to foster development of such risk-adjusters. Otherwise, children's hospitals, which devote on average more than 70 percent of their care to children with chronic and congenital conditions, will run the risk of contracting for the care of children for which health plans are not adequately financed.

• Occupational, physical, and speech therapies are critical to children with special health care needs, especially those born with congenital conditions. As a consequence, it is important that any limits health care reform places on such therapies not prevent congenitally or chronically ill children from having access to "habilitative" services to achieve and maintain function, as well as rehabilitative services to restore function. Children born with cystic fibrosis, cerebral palsy, or scoliosis are especially dependent on such therapies -- not only to achieve and maintain function but also to reduce their life-long use of inpatient care.

• Because so many children now depend on Medicaid -- one in every five children -- it is important that the Medicaid that safety net not unravel for children. We must sustain appropriate disproportionate share payment adjustments during the transition, since virtually all children's hospitals serve a disproportionate share of Medicaid and uninsured patients. Medicaid disproportionate share payments are necessary not only to offset the costs of caring for uninsured patients but also to offset the seriously inadequate reimbursement Medicaid provides in many states.

There are several important issues in health care reform that require consideration from the perspective of the children and families who depend on children's hospitals, but I hope that these three particular examples speak directly to issues the President hopes to address in his health care reform legislation.

Thank you very much for your consideration. Please call upon me to help the President in addressing the special health care needs of children in health care reform.

Sincerely,

JIM SLATTERY
Member of Congress

ANSWER DEVELOPED BY ASPE / CHERYL A. → 11/14/93 FROM LISA SIMPSON 401-7736

Dear Mr. Slattery:

Thank you for taking the time to write to me about your concerns regarding children's hospitals. I share your view that these hospitals provide important services to our most vulnerable populations and am pleased to respond to your specific concerns.

First, let me assure you that children's hospitals are eligible to be designated as essential community providers under the Health Security Act. The Essential Community Provider program provides transitional protection to federally-funded programs and other programs that deliver care in difficult-to-serve areas.

Although some providers are automatically certified essential community providers, independent institutional providers may also apply to the Secretary for designation as an essential community provider. The Secretary will develop standards for certification of additional providers, based on the degree to which health plans operating in the applicant's service area would not be able to assure access to the comprehensive benefit package. Other providers may apply if they are located in an underserved rural or urban area, or if they provide a substantial amount of services to medically underserved populations. In addition, children's hospitals may qualify as centers of excellence as designated by states in accordance with rules promulgated by the Secretary.

In regards to your comments on risk adjustment, the Health Security Act recognizes the importance of risk adjustment and provides for the Board to develop a risk adjustment and reinsurance methodology. The legislation proposes that in the development of a risk adjustment methodology, factors such as demographics, health status, and proportion of enrollees who are SSI recipients shall be considered. In addition, the proposal provides for the Board to implement a reinsurance system of prospective adjustment of payments to account for the health status of individuals cannot be developed by April, 1995.

In response to your concern about children born with congenital conditions, I agree that health and long term support services for children with disabilities are vital components of any health care reform strategy. First, the rehabilitation service described in the guaranteed benefit package is intended to reflect typical health insurance policies: it is an acute health care service available following an illness or injury. Acute care benefit packages typically do not cover the long term special services often needed by people with chronic conditions. If eligibility for this benefit appears too restrictive, I would be happy to work with you and other members of Congress to clarify it.

I am pleased to note, however, that there are several ways in which the Health Security Act covers physical, occupational, and speech/language therapy services for people who experience birth

disorders or congenital conditions. The long term care program spelled out in the Act will likely cover ongoing supports **that are not there today** for many children with severe disabilities. In addition, the extensive new federal funding for long term care is expected to free up resources so that states and localities can expand and improve long term supports for people who do not qualify for the new program, but nonetheless experience significant disabilities.

I recognize this is only a first step in establishing a comprehensive publicly funded long term care program, but it is a strong beginning. The over $38 billion per year in new federal funding for long term care at full phase-in is a significant improvement over the limited, means tested long term supports currently available to Americans with disabilities.

Second, a new children's program will supplement Alliance coverage for low income children. This program will likely cover therapies, hearing aids, dental services, transportation, and similar services not included in the guaranteed benefit package.

Probably the most profound change for children who have disabilities and their families, and one it is important not to lose sight of, is that the Health Security Act offers universal access to health care with no pre-existing conditions exclusions. Families with children with disabilities will no longer be denied health coverage, or charged exorbitant insurance premiums, or locked into jobs for fear of losing their health coverage, or denied renewal just when they need health care the most. The families of children with disabilities will no longer face the threat of losing everything they have in their attempts to purchase and retain access to affordable, quality health care.

Families whose incomes are too high to qualify for Medicaid, and those whose children do not experience disabilities severe enough to qualify for the long term care program will have the option of purchasing supplemental policies to cover additional therapies and services beyond the guaranteed benefit package.

In response to your concern about the Medicaid safety net, it is important to remember that neither children's hospitals nor other hospitals will continue to serve large numbers of uninsured. Under the President's proposal, those who are presently uninsured who are the cause of large amounts of hospital uncompensated care will now be insured and the services they use will be paid for. In addition, disproportionate share payments to children's hospitals and other hospitals will not end until a state is fully prepared to implement the system of alliance-based reforms. Simultaneously, a "vulnerable population adjustment" provision will be implemented through which Federal funds will be distributed to those hospitals that apply on the basis of having more than 25 percent of their patient from low-income families.

I hope that these responses address your concerns. I look forward to working with you and other members of Congress as we move towards an effective reform of the health care system.

Sincerely,

Hillary Rodham Clinton