

ORAL ARGUMENT NOT YET SCHEDULED

No. 16-5202

---

---

IN THE  
**United States Court of Appeals  
for the District of Columbia Circuit**

---

UNITED STATES HOUSE OF REPRESENTATIVES,  
Plaintiff-Appellee,

v.

SYLVIA MATTHEWS BURWELL, in her official capacity as Secretary of the United  
States Department of Health and Human Services, *et al.*,  
Defendants-Appellants.

---

On Appeal from the United States District Court for the District of Columbia  
No. 14-1967-RMC  
District Judge Rosemary M. Collyer

---

**BRIEF AMICUS CURIAE OF THE AMERICAN HOSPITAL  
ASSOCIATION, FEDERATION OF AMERICAN HOSPITALS, THE  
CATHOLIC HEALTH ASSOCIATION OF THE UNITED STATES, AND  
ASSOCIATION OF AMERICAN MEDICAL COLLEGES  
IN SUPPORT OF NEITHER PARTY**

---

MELINDA REID HATTON  
MAUREEN MUDRON  
AMERICAN HOSPITAL ASSOCIATION  
325 Seventh Street, N.W.  
Washington, D.C. 20001  
*Counsel for American Hospital  
Association*

CATHERINE E. STETSON  
SEAN MAROTTA  
HOGAN LOVELLS US LLP  
555 Thirteenth Street, N.W.  
Washington, D.C. 20004  
(202) 637-5491  
cate.stetson@hoganlovells.com  
*Counsel for Amici Curiae*

---

---

(Additional counsel listed on inside cover)

Additional counsel:

KATHLEEN TENOEVER  
FEDERATION OF AMERICAN HOSPITALS  
750 Ninth Street, N.W.  
Suite 600  
Washington, D.C. 20001

*Counsel for Federation of American  
Hospitals*

IVY BAER  
ASSOCIATION OF AMERICAN MEDICAL  
COLLEGES  
655 K Street, N.W.  
Suite 100  
Washington, D.C. 20001

*Counsel for Association of American  
Medical Colleges*

LISA GILDEN  
*Vice President, General Counsel*  
THE CATHOLIC HEALTH ASSOCIATION OF  
THE UNITED STATES  
1875 Eye Street, N.W.  
Suite 1000  
Washington, D.C. 20006

*Counsel for The Catholic Health  
Association of the United States*

## **CERTIFICATE AS TO PARTIES, RULINGS, AND RELATED CASES**

Pursuant to Circuit Rule 28(a)(1), the American Hospital Association, Federation of American Hospitals, The Catholic Health Association of the United States, and Association of American Medical Colleges certify the following:

**Parties and Amici.** a. All parties, intervenors, and amici appearing before the District Court and in this Court are listed in Appellants' brief.

b. The American Hospital Association represents more than 5,000 hospitals, health care systems, and other health care organizations, plus 42,000 individual members. AHA has no parent company and no publicly held company holds more than a ten percent interest in AHA. AHA is a "trade association" for purposes of Circuit Rule 26.1(b).

The Federation of American Hospitals is the national representative of more than 1,000 investor-owned or managed community hospitals and health systems throughout the United States. The Federation has no parent company, and no publicly held company holds more than a ten percent interest in the Federation. The Federation is a "trade association" for purposes of Circuit Rule 26.1(b).

The Catholic Health Association of the United States is the national leadership organization for the Catholic health ministry. CHA has no parent company, and no publicly held company holds more than a ten percent interest in CHA. CHA is a "trade association" for purposes of D.C. Circuit Rule 26.1(b).

The Association of American Medical Colleges is a not-for-profit association representing all 147 accredited U.S. and 17 accredited Canadian medical schools; nearly 400 major teaching hospitals and health systems, including 51 Department of Veterans Affairs medical centers; and more than 80 academic and scientific societies. AAMC has no parent company, and no publicly held company holds more than a ten percent interest in AAMC. AAMC is a “trade association” for purposes of Circuit Rule 26.1(b).

**Rulings Under Review.** The rulings under review are listed in Appellants’ brief.

**Related Cases.** Counsel is not aware of any related cases within the meaning of Circuit Rule 28(a)(1)(C).

/s/ Catherine E. Stetson  
Catherine E. Stetson

## **CERTIFICATE IN SUPPORT OF SEPARATE BRIEF**

Pursuant to Circuit Rule 29(d), the American Hospital Association, Federation of American Hospitals, The Catholic Health Association of the United States, and Association of American Medical Colleges state that a separate brief is necessary for their presentation to this Court because they alone among the *amici* intending to file represent the distinct interests of American hospitals. In addition, a joint brief is not feasible because other *amici* have interests divergent from those of *amici* and their members.

/s/ Catherine E. Stetson  
Catherine E. Stetson

# TABLE OF CONTENTS

	<u>Page</u>
CERTIFICATE AS TO PARTIES, RULINGS, AND RELATED CASES.....	i
CERTIFICATE IN SUPPORT OF SEPARATE BRIEF .....	iii
TABLE OF AUTHORITIES .....	v
STATEMENT OF INTEREST OF AMICI CURIAE.....	1
SUMMARY OF ARGUMENT .....	3
ARGUMENT .....	5
I.    AFFIRMING THE DISTRICT COURT’S ORDER WILL HURT PATIENTS AND HINDER HOSPITALS’ PATIENT-FOCUSED MISSIONS. ....	5
A.    Cost-Sharing Reductions Keep Patients’ Healthcare Costs Manageable .....	5
B.    Affirming The District Court’s Order Will Make It Harder For Hospitals To Serve Their Patients And Their Communities .....	12
II.   CONGRESS COULD NOT HAVE INTENDED THESE RESULTS .....	18
CONCLUSION .....	20
CERTIFICATE OF COMPLIANCE	
CERTIFICATE OF SERVICE	

## TABLE OF AUTHORITIES

Page

### CASES:

* <i>King v. Burwell</i> , 135 S. Ct. 2480 (2015).....	5, 6, 11, 18, 19
<i>Nat'l Fed'n of Indep. Bus. v. Sebelius</i> , 132 S. Ct. 2566 (2012).....	6
<i>New York State Dep't of Social Servs. v. Dublino</i> , 413 U.S. 405 (1973).....	19
<i>Sebelius v. Auburn Reg'l Med. Ctr.</i> , 133 S. Ct. 817 (2013).....	16

### STATUTES:

42 U.S.C. § 1395ww(b)(3)(B) .....	16
42 U.S.C. § 1395ww(r) .....	16
42 U.S.C. § 1396r-4(f)(7) .....	16
42 U.S.C. § 18091(2) .....	17

### LEGISLATIVE MATERIAL:

S. Rep. No. 111-89 (2009).....	18
--------------------------------	----

### OTHER AUTHORITIES:

Am. Hosp. Ass'n, <i>Uncompensated Care Cost Fact Sheet</i> (Jan. 2016) .....	13, 14
Am. Hosp. Ass'n, <i>Trendwatch Chartbook 2016</i> (2016).....	17
Stephanie Armour, <i>Patients Pay Before Seeing Doctor as Deductibles Spread</i> , Bloomberg (Oct. 14, 2013).....	13

---

\* Authorities upon which we chiefly rely are marked with an asterisk.

## TABLE OF AUTHORITIES—Continued

	<u>Page</u>
* Linda J. Blumberg and Matthew Buettgens, Urban Insitute, <i>The Implications of a Finding for the Plaintiffs in House v. Burwell</i> (Jan. 2016).....	10, 11, 12, 19
Board of Governors of the Federal Reserve System, <i>Report on the Economic Well-Being of U.S. Households in 2015</i> (May 2016) .....	8, 9
Center on Budget and Policy Priorities, <i>Key Facts You Need to Know About: Cost-Sharing Reductions</i> (Dec. 3, 2015) .....	6
Centers for Medicare & Medicaid Services, <i>March 31, 2016 Effectuated Enrollment Snapshot</i> (June 30, 2016) .....	7
* Gary Claxton and Nirmita Panchal, Kaiser Family Foundation, <i>Cost-Sharing Subsidies in Federal Marketplace Plans</i> (Feb. 11, 2015).....	7, 8
Sara R. Collins, <i>et al.</i> , The Commonwealth Fund, <i>How Will the Affordable Care Act’s Cost-Sharing Reductions Affect Consumers’ Out-Of-Pocket Costs in 2016?</i> (Mar. 2016) .....	7
Peter Cunningham, <i>et al.</i> , Kaiser Family Foundation, <i>Understanding Medicaid Hospital Payments and the Impact of Recent Policy Changes</i> (June 2016) .....	16
Richard S. Foster, Ctrs. for Medicare & Medicaid Servs., <i>The Estimated Effect of the Affordable Care Act on Medicare and Medicaid Outlays and Total National Health Care Expenditures</i> (Mar. 30, 2011) .....	17
Rachel Garfield and Anthony Damico, Kaiser Family Foundation, <i>The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid</i> (Oct. 2016).....	14
Munira Z. Gunja, <i>et al.</i> , The Commonwealth Fund, <i>Americans’ Experiences With ACA Marketplace Coverage: Affordability and Provider Network Satisfaction</i> (July 2016) .....	8
Sean D. Hamill, <i>Hospitals Show Some Benefit from ACA</i> , Pittsburgh Post-Gazette (July 24, 2016) .....	13



**TABLE OF AUTHORITIES—Continued**

	<u>Page</u>
L.D. Hermer & M. Lenihan, <i>The Future of Medicaid Supplemental Payments: Can They Promote Patient-Centered Care?</i> 102 Ky. L.J. 287 (2013).....	18
Carolyn Y. Johnson, <i>Americans Are Shouldering More and More of Their Health-Care Costs</i> , Wash. Post (June 27, 2016) .....	8
John Lauerma, <i>Bad Debt Is the Pain Hospitals Can’t Heal as Patients Don’t Pay</i> , Bloomberg (Feb. 23, 2016).....	15
Larry Levitt and Gary Claxton, Kaiser Family Foundation, <i>Insurance Markets in a Post-King World</i> (Feb. 25, 2015).....	12
National Ass’n of Ins. Commissioners, <i>Adverse Selection Issues and Health Insurance Exchanges Under the Affordable Care Act</i> (2011).....	12
Robert Pear, <i>Some Health Plan Costs to Increase by an Average of 25 Percent, U.S. Says</i> , N.Y. Times (Oct. 24, 2016) .....	11
Mary E. Reed, <i>et al.</i> , <i>In Consumer-Directed Health Plans, A Majority of Patients Were Unaware of Free or Low-Cost Preventative Care</i> , 31(12) Health Affairs 2641 (2012) .....	9
J. Reichard, <i>Biden Announces Deal With Hospitals to Cut Medicare, Medicaid Payments By \$155 Billion</i> , CQ Healthbeat, July 8, 2009.....	18
Kristin L. Reiter, <i>et al.</i> , <i>Uncompensated Care Burden May Mean Financial Vulnerability for Rural Hospitals in States That Did Not Expand Medicaid</i> , Health Affairs, Oct. 2015 .....	14
Margot Sanger-Katz, <i>Even Insured Can Face Crushing Medical Debt, Study Finds</i> , N.Y. Times (Jan. 5, 2016).....	9
Mark Seidenfeld, <i>Tax Credits on Federally Created Exchanges</i> , 99 Minn. L. Rev. Headnotes 101 (2015) .....	5
Jeffrey Young, <i>Obamacare Enrollees Are Sick And They’re Getting A Lot Of Health Care</i> , The Huffington Post (Mar. 30, 2016).....	11

**TABLE OF AUTHORITIES—Continued**

	<u>Page</u>
S. Yousuf Zafar and Amy P. Abernethy, <i>Financial Toxicity, Part I: A New Name for a Growing Problem</i> , 27(2) <i>Oncology</i> 80 (2013).....	10

IN THE  
**United States Court of Appeals  
for the District of Columbia Circuit**

---

UNITED STATES HOUSE OF REPRESENTATIVES,  
Plaintiff-Appellee,

v.

SYLVIA MATTHEWS BURWELL, in her official capacity as Secretary of the United  
States Department of Health and Human Services, *et al.*,  
Defendants-Appellants.

---

On Appeal from the United States District Court for the District of Columbia  
No. 14-1967-RMC  
District Judge Rosemary M. Collyer

---

**BRIEF AMICUS CURIAE OF THE AMERICAN HOSPITAL  
ASSOCIATION, FEDERATION OF AMERICAN HOSPITALS, THE  
CATHOLIC HEALTH ASSOCIATION OF THE UNITED STATES, AND  
ASSOCIATION OF AMERICAN MEDICAL COLLEGES  
IN SUPPORT OF NEITHER PARTY**

---

**STATEMENT OF INTEREST OF AMICI CURIAE**

The American Hospital Association, Federation of American Hospitals, The  
Catholic Health Association of the United States, and Association of American  
Medical Colleges respectfully submit this brief as *amici curiae*.<sup>1</sup>

---

<sup>1</sup> All parties have consented to the filing of this brief. No party's counsel authored this brief in whole or in part; no party or party's counsel contributed money intended to fund the brief's preparation or submission; and no person other than *amici* contributed money intended to fund the brief's preparation or submission.

The American Hospital Association represents more than 5,000 hospitals, health care systems, and other health care organizations, plus 43,000 individual members. AHA members are committed to improving the health of communities they serve and to helping ensure that care is available to and affordable for all Americans. AHA educates its members on health care issues and advocates to ensure that their perspectives are considered in formulating health policy.

The Federation of American Hospitals is the national representative of more than 1,000 investor-owned or managed community hospitals and health systems throughout the United States. Dedicated to a market-based philosophy, the Federation provides representation and advocacy on behalf of its members to Congress, the Executive Branch, the judiciary, media, academia, accrediting organizations, and the public.

The Catholic Health Association of the United States is the national leadership organization for the Catholic health ministry. Comprised of more than 600 hospitals and 1,400 long-term care and other health facilities in all 50 states, the Catholic health ministry is the largest group of nonprofit health care providers in the nation. CHA works to advance the ministry's commitment to a just, compassionate health care system that protects life.

The Association of American Medical Colleges is a not-for-profit association representing all 147 accredited U.S. and 17 accredited Canadian

medical schools; nearly 400 major teaching hospitals and health systems, including 51 Department of Veterans Affairs medical centers; and more than 80 academic and scientific societies. Through these institutions and organizations, the AAMC serves the leaders of America's medical schools and teaching hospitals and their nearly 160,000 faculty members, 83,000 medical students, and 115,000 resident physicians.

*Amici's* members are deeply affected by the Nation's health care laws, particularly the Affordable Care Act. That is why they have filed *amicus* briefs in support of the law in the Supreme Court, this Court, and courts across the Nation. Just as in those cases, *amici* write to offer guidance, from hospitals' perspective, on the harmful impact that affirming the District Court's order would have on American health care.

### **SUMMARY OF ARGUMENT**

The Affordable Care Act has helped millions of uninsured Americans buy comprehensive health insurance. But paying premiums every month is only the first step. Plans often include "cost-sharing" provisions that require patients to pay certain sums before benefits kick in or a percentage of the plan's cost for services. And these cost-sharing payments pose a risk to lower-income patients, who are the ones most likely to rely on the Affordable Care Act's insurance exchanges for

coverage. Insurance is not helpful if a patient cannot afford the cost-sharing payments required when she actually seeks health care.

Congress knew that. It therefore built into the Affordable Care Act cost-sharing subsidies whereby insurers would reduce the out-of-pocket costs for low-income patients and the government would reimburse insurers for the value of the reduction. By regulation, the Secretaries have implemented these subsidies for certain patients below 250 percent of the federal poverty level. Without cost-sharing reductions, patients' physical and financial health would suffer. Even under current law, high cost-sharing obligations can cause patients to forgo needed treatment and devastate their finances. And affirming the District Court could cause some patients to lose their coverage altogether, triggering a "death spiral" in the exchanges, as the value of the cost-sharing subsidies is shifted back into higher premiums, which in turn drives healthier patients to different insurance options and leave only the sickest patients behind, still further increasing premiums and driving more patients off the exchanges.

Hospitals, too, will find it harder to achieve their missions. Hospitals already provide billions in uncompensated care to patients who cannot pay their bills and who have no other source of payment. Affirming the District Court's order will force hospitals to shoulder an even greater burden, reducing and in some cases eliminating operating margins, and making it harder for them to serve their

patients and communities. Congress in the Affordable Care Act cut funding for uncompensated care at hospitals in the expectation that hospitals would make up the difference through exchange-insured patients. But if hospitals must bear the burden of uncompensated care from an increasing number of uninsured or underinsured patients, the balance Congress struck in the Act will be upset.

All of that suggests that the District Court’s reading of the Affordable Care Act may not be the right one. Congress meant for the Act to create exchanges where lower-income patients could purchase affordable insurance that they could actually use. The District Court’s opinion paradoxically increases government expenditures under the Act, suggesting that its decision may be in tension with the Act’s goals.

## **ARGUMENT**

### **I. AFFIRMING THE DISTRICT COURT’S ORDER WILL HURT PATIENTS AND HINDER HOSPITALS’ PATIENT-FOCUSED MISSIONS.**

#### **A. Cost-Sharing Reductions Keep Patients’ Healthcare Costs Manageable.**

1. The Affordable Care Act has been called a “three legged stool” of health reform. Mark Seidenfeld, *Tax Credits on Federally Created Exchanges*, 99 Minn. L. Rev. Headnotes 101, 101 (2015). The first leg—guaranteed issue and community rating—ensures that all Americans can obtain insurance without facing increased rates because of pre-existing conditions. *See King v. Burwell*, 135 S. Ct.

2480, 2486 (2015). The second leg—the individual mandate—requires most Americans to obtain health insurance, preventing the adverse selection that can occur when only the sick sign up. *See Nat’l Fed’n of Indep. Bus. v. Sebelius*, 132 S. Ct. 2566, 2614 (2012). And the third—subsidies—reduces the cost of health insurance for lower-income individuals who might not otherwise be able to afford it. *See King*, 135 S. Ct. at 2487. Taken together, the Affordable Care Act “adopts a series of interlocking reforms designed to expand coverage in the individual health insurance market.” *Id.* at 2485.

Premium-support subsidies were in the public eye last year in *King*. But the cost-sharing subsidies at issue in this case are also essential. Patients who earn up to 250% of the federal poverty level—\$29,700 for individuals and \$60,750 for a family of four<sup>2</sup>—and who purchase a “silver” level plan on the health-insurance exchanges are eligible for cost-sharing reductions that reduce their out-of-pocket healthcare costs. Center on Budget and Policy Priorities, *Key Facts You Need to Know About: Cost-Sharing Reductions 1* (Dec. 3, 2015).<sup>3</sup>

Cost-sharing reductions come in two forms. First, insurers reduce the copayments or coinsurance that patients pay for particular covered services, such as office visits. Gary Claxton and Nirmita Panchal, Kaiser Family Foundation,

---

<sup>2</sup> HealthCare.gov, *Federal Poverty Level (FPL)*, <https://goo.gl/LeYvZB>.

<sup>3</sup> Available at <https://goo.gl/BKvnOh>.



*Cost-Sharing Subsidies in Federal Marketplace Plans* (Feb. 11, 2015) (*Cost-Sharing Subsidies*).<sup>4</sup> Second, insurers cap the total out-of-pocket costs patients must pay per year. *Id.* For those earning under 200% of the federal poverty level, out-of-pocket costs are capped at \$2,250 for single coverage and \$4,500 for family coverage. *Id.* For those earning between 200% and 250% of the federal poverty level, out-of-pocket costs are capped at \$5,200 for single coverage and \$10,400 for family coverage. *Id.* Nearly 6.4 million patients—57% of those enrolled in exchange plans—benefit from cost-sharing reductions that make it more affordable for them to use their coverage. Centers for Medicare & Medicaid Services, *March 31, 2016 Effectuated Enrollment Snapshot* (June 30, 2016).<sup>5</sup>

2. Cost-sharing reductions “are playing a critical role in limiting out-of-pocket cost exposure for low- and moderate-income people enrolled in marketplace plans.” Sara R. Collins, *et al.*, The Commonwealth Fund, *How Will the Affordable Care Act’s Cost-Sharing Reductions Affect Consumers’ Out-Of-Pocket Costs in 2016?* 9 (Mar. 2016).<sup>6</sup> As insurers struggle to keep premiums down, they increasingly shift costs to patients in the form of higher deductibles—the amount that must be paid before insurance coverage kicks in—and increased

---

<sup>4</sup> Available at <https://goo.gl/6gzo44>.

<sup>5</sup> Available at <https://goo.gl/WjiRvB>.

<sup>6</sup> Available at <https://goo.gl/N2xAVu>.

coinsurance—the percentage of the provider’s fee the patient must pay even after insurance kicks in. Carolyn Y. Johnson, *Americans Are Shouldering More and More of Their Health-Care Costs*, Wash. Post (June 27, 2016).<sup>7</sup>

The average silver plan enrollee without cost-sharing subsidies faces a deductible as high as \$3,064. *Cost-Sharing Subsidies, supra*. But with cost-sharing reductions, a qualifying silver plan enrollee may pay deductibles on average as low as \$709. *Id.* Cost-sharing reductions thus generally make exchange plans equivalent to employer-sponsored plans for patients with similar incomes. Munira Z. Gunja, *et al.*, The Commonwealth Fund, *Americans’ Experiences With ACA Marketplace Coverage: Affordability and Provider Network Satisfaction 5* (July 2016).<sup>8</sup> And cost-sharing reductions “can result in thousands of dollars of savings for individuals and families who have significant medical events or ongoing medical needs.” *Cost-Sharing Subsidies, supra*.

Cost-sharing reductions thus prevent out-of-pocket costs from putting healthcare out of reach for lower-income Americans that dutifully pay their premiums each month. Almost half of all adults say they could not cover an emergency expense costing \$400 or more, and would have to borrow or sell something to meet it. Board of Governors of the Federal Reserve System, *Report*

---

<sup>7</sup> Available at <https://goo.gl/AK2h78>.

<sup>8</sup> Available at <https://goo.gl/s8cIdp>.

*on the Economic Well-Being of U.S. Households in 2015*, at 22 (May 2016).<sup>9</sup> And households eligible for cost-sharing reductions have on average just over \$300 in liquid assets. Gary Claxton, *et al.*, Kaiser Family Foundation, *Consumer Assets and Patient Cost Sharing* 3 (Feb. 2015).<sup>10</sup>

For these patients, finding the money for even the Affordable Care Act's capped out-of-pocket obligations is a stretch. One-fifth of insured patients report difficulty paying their medical bills. Margot Sanger-Katz, *Even Insured Can Face Crushing Medical Debt, Study Finds*, N.Y. Times (Jan. 5, 2016).<sup>11</sup> Of that one-fifth, 63% had to tap all or most of their savings, 42% took on an extra job or had to work more hours, 14% moved or took in roommates, and 11% were forced to rely on charity. *Id.* And one-fifth of insured patients with high-deductible plans—private plans similar to exchange plans without cost-sharing reductions—delayed or avoided preventative care because of out-of-pocket costs. Mary E. Reed, *et al.*, *In Consumer-Directed Health Plans, A Majority of Patients Were Unaware of Free or Low-Cost Preventative Care*, 31(12) Health Affairs 2641, 2645 (2012).<sup>12</sup>

---

<sup>9</sup> Available at <https://goo.gl/kLgo6L>.

<sup>10</sup> Available at <https://goo.gl/7q7tqV>.

<sup>11</sup> Available at <https://goo.gl/mMbPzg>.

<sup>12</sup> Available at <https://goo.gl/PLUlwT>.

Even for insured patients, then, out-of-pocket costs are a form of “financial toxicity” that “can diminish quality of life and impede delivery of the highest quality care.” S. Yousuf Zafar and Amy P. Abernethy, *Financial Toxicity, Part I: A New Name for a Growing Problem*, 27(2) *Oncology* 80, 81 (2013).<sup>13</sup> Patients with higher out-of-pocket costs are less likely to adhere to treatment plans, to fill needed prescriptions, and may even forgo needed treatment. *Id.* The Affordable Care Act’s cost-sharing reductions thus protect patients’ physical health as well as their financial health.

3. Affirming the District Court’s order will not necessarily eliminate cost-sharing reductions. *See* Secretaries’ Br. 8. But it will hurt patients in less direct, equally harmful ways.

If insurers cannot receive government reimbursement for the value of cost-sharing reductions, they will have to make up the cost somehow—and that somehow is likely to be increased premiums. *Id.* One study found that eliminating federal reimbursement of cost-sharing reductions would increase premiums for silver plans by \$1,040 on average for all patients, not just those receiving cost-sharing reductions. Linda J. Blumberg and Matthew Buettgens, Urban Insite, *The Implications of a Finding for the Plaintiffs in House v. Burwell* 8 (Jan. 2016)

---

<sup>13</sup> Available at <https://goo.gl/DIcvSh>.

(*Implications*)<sup>14</sup>; cf. *King*, 135 S. Ct. at 2493-94 (citing a similar study by Blumberg and Buettgens). And that jump comes on top of next year's expected 25% average increase in exchange-plan premiums. See Robert Pear, *Some Health Plan Costs to Increase by an Average of 25 Percent, U.S. Says*, N.Y. Times (Oct. 24, 2016).<sup>15</sup>

These increases, in turn, will likely drive patients out of the Affordable Care Act's exchanges. More than 1 million patients are expected to drop marketplace coverage than join the exchanges, finding it more economical to purchase coverage elsewhere. *Implications, supra*, at 1. And that would leave only low-income patients—who are most dependent on subsidies and who are more likely to be sicker and to consume more health care—remaining on silver plans. *Id.* at 6; Jeffrey Young, *Obamacare Enrollees Are Sick And They're Getting A Lot Of Health Care*, The Huffington Post (Mar. 30, 2016) (exchange enrollees tend to be sicker than most patients).<sup>16</sup>

Exchange plans work like all other insurance and count on a diverse population of patients—some who are healthier and some who are sicker—which allows plans to spread risk and costs among their entire pool of insured. See

---

<sup>14</sup> Available at <https://goo.gl/NvGR9P>.

<sup>15</sup> Available at <https://goo.gl/81xUAF>.

<sup>16</sup> Available at <https://goo.gl/fK3HRO>.

National Ass'n of Ins. Commissioners, *Adverse Selection Issues and Health Insurance Exchanges Under the Affordable Care Act* 1 (2011).<sup>17</sup> Removing federal reimbursement of cost-sharing subsidies raises the specter of an exchange “death spiral,” where the flight of healthier, wealthier patients from the exchanges will raise premiums for those who remain, which will drive even more healthier, wealthier patients from the exchanges, which will again raise premiums for those who remain, and so on. *See* Larry Levitt and Gary Claxton, Kaiser Family Foundation, *Insurance Markets in a Post-King World* (Feb. 25, 2015) (describing the mechanisms of a death spiral).<sup>18</sup> The District Court’s decision risks the very integrity of the Affordable Care Act’s exchanges. *See Implications, supra*, at 8 (observing that if cost-sharing reductions are not federally reimbursed, “insurers could begin to pull out of Marketplaces that they are only now beginning to understand and feel comfortable competing in”).

**B. Affirming The District Court’s Order Will Make It Harder For Hospitals To Serve Their Patients And Their Communities.**

Hospitals do their part to lessen the burden on patients struggling with cost-sharing payments and healthcare costs generally. Hospitals provide tremendous amounts of uncompensated care to lower-income patients—\$42.8 billion in 2014

---

<sup>17</sup> Available at <https://goo.gl/crg7fa>.

<sup>18</sup> Available at <https://goo.gl/MQvR82>.

alone.<sup>19</sup> About one-quarter of that—or over \$10 billion—comes from writing off cost-sharing payments from insured patients. Stephanie Armour, *Patients Pay Before Seeing Doctor as Deductibles Spread*, Bloomberg (Oct. 14, 2013).<sup>20</sup> Hospitals accept the price of some uncompensated care as the cost of doing business and as a way to relieve financial stress on poorer patients. But the increase in uncompensated care that will result if federal reimbursement for cost-sharing payments is eliminated will make it harder for hospitals to serve their patients and their communities.

1. Uncompensated care—including uncompensated care for insured patients who cannot pay their out-of-pocket obligations—was expected to fall as more patients became insured through the Affordable Care Act and received cost-sharing reductions. Sean D. Hamill, *Hospitals Show Some Benefit from ACA*, Pittsburgh Post-Gazette (July 24, 2016).<sup>21</sup> And on average it has. *Id.*; see also *Uncompensated Care Cost Fact Sheet, supra*, at 3 (showing a decrease in uncompensated care as a percentage of hospitals' total expenses since the Affordable Care Act's enactment in 2010).

---

<sup>19</sup> Am. Hosp. Ass'n, *Uncompensated Care Cost Fact Sheet* 3 (Jan. 2016), available at <https://goo.gl/2Jep01>.

<sup>20</sup> Available at <https://goo.gl/ayuhua>.

<sup>21</sup> Available at <https://goo.gl/wYBdo6>.

But averages conceal the significant challenges that hospitals—especially rural hospitals—face in serving lower-income insured patients. Rural hospitals often serve States that opted out of the Affordable Care Act’s Medicaid expansion, and these hospitals have seen increasing uncompensated care costs as a result of the “coverage gap” between patients too wealthy for pre-Affordable Care Act Medicaid programs but too poor to take full advantage of the Act’s exchange plans. Kristin L. Reiter, *et al.*, *Uncompensated Care Burden May Mean Financial Vulnerability for Rural Hospitals in States That Did Not Expand Medicaid*, *Health Affairs*, Oct. 2015, at 1721, 1725; Rachel Garfield and Anthony Damico, Kaiser Family Foundation, *The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid* 5-6 (Oct. 2016).<sup>22</sup>

Without federal reimbursement of cost-sharing subsidies, these problems will compound. Patients will either lose coverage and be unable to pay for needed care or face higher premiums and have fewer funds available to pay their cost-sharing obligations. Either way, the bottom line is the same: Lower- and middle-income patients will find it harder to pay their medical bills, leaving hospitals with greater uncompensated-care burdens, and therefore with fewer resources available

---

<sup>22</sup> Available at <https://goo.gl/BiP9MU>.



for free care, financial assistance, fee-reduction programs, and other benefits to make and keep their communities healthy.

Already, hospitals are feeling financial stress as they realize that many newly insured patients from the Affordable Care Act that they were counting on to reduce uncompensated-care burdens may have plans with deductibles so high that their insurance is illusory. As one hospital executive explained, “When someone has a really high deductible, effectively they’re still uninsured, and most people . . . don’t have \$5,000 lying around to pay their bills.” John Lauerman, *Bad Debt Is the Pain Hospitals Can’t Heal as Patients Don’t Pay*, Bloomberg (Feb. 23, 2016).<sup>23</sup> And this stress has started showing up in hospitals’ bottom lines. The Minnesota Hospital Association’s members have seen one subset of uncompensated care spike by 20% to \$425 million in the last year, and 39 members—most of them rural—are operating at a loss. *Id.* Eliminating federal reimbursement for cost-sharing reductions threatens to make these problems worse and to spread them to even more hospitals.

2. These financial risks come at a time that hospitals can ill afford them. In the Affordable Care Act, Congress cut—in two different ways—the payments hospitals receive to care for Medicare and Medicaid patients. First, Congress cut Medicare and Medicaid Disproportionate Share Hospital, or “DSH,” payments. 42

---

<sup>23</sup> Available at <https://goo.gl/XHy3GO>.

U.S.C. § 1395ww(r) (Medicare); *id.* § 1396r-4(f)(7) (Medicaid). DSH payments provide assistance to hospitals that serve large numbers of low-income patients, *see Sebelius v. Auburn Reg'l Med. Ctr.*, 133 S. Ct. 817, 822 (2013), and are the largest form of federal funding for uncompensated care, *see* Kaiser Family Foundation, *Uncompensated Care for the Uninsured in 2013: A Detailed Examination* (May 30, 2014).<sup>24</sup> Together, the Act's reductions in Medicare and Medicaid DSH payments will cut federal support for uncompensated care by an estimated \$36.1 billion over the next decade. *See* Am. Hosp. Ass'n, *Summary of 2010 Health Care Reform Legislation* 34-35 (Apr. 19, 2010).<sup>25</sup> And following the Affordable Care Act's passage, the Medicaid DSH reductions have been both extended and significantly increased. *See* Peter Cunningham, *et al.*, Kaiser Family Foundation, *Understanding Medicaid Hospital Payments and the Impact of Recent Policy Changes* 6 (June 2016).<sup>26</sup>

Second, Congress cut payments to hospitals by reducing the Medicare inflation adjustment and the "market basket" rates used annually to adjust Medicare payments. 42 U.S.C. § 1395ww(b)(3)(B). The program's chief actuary has estimated that these cuts will cost hospitals another \$233 billion over 10 years.

---

<sup>24</sup> Available at <http://goo.gl/bF3k0O>.

<sup>25</sup> Available at <http://goo.gl/vBafWp>.

<sup>26</sup> Available at <https://goo.gl/Drpoz1>.

Richard S. Foster, Ctrs. for Medicare & Medicaid Servs., *The Estimated Effect of the Affordable Care Act on Medicare and Medicaid Outlays and Total National Health Care Expenditures* (Mar. 30, 2011).<sup>27</sup>

The cuts—a combined total of some \$269 billion in a single decade—drastically reduce hospitals’ payments for treating Medicare and Medicaid patients. That is particularly significant because even before the cuts, Medicare and Medicaid did not fully cover hospitals’ costs of care. Hospitals in 2014 spent \$51.5 billion providing care to Medicare and Medicaid patients for which the hospitals were not reimbursed. American Hosp. Ass’n, *Trendwatch Chartbook 2016* tbl.4.5 (2016).<sup>28</sup>

Congress thought hospitals could survive these cuts because they would receive offsetting revenues. Lawmakers believed the newly freed-up monies would fund subsidies like cost-sharing reductions; the subsidies would help more people buy and use insurance; and the influx of insured patients would reduce—though not eliminate—the billions of dollars a year that hospitals spend providing uncompensated care. *See* 42 U.S.C. § 18091(2) (congressional findings). As President Obama explained: “As health reform phases in, the number of uninsured will go down, and we would be able to reduce payments to hospitals for treating

---

<sup>27</sup> Available at <http://goo.gl/8FpZBm>.

<sup>28</sup> Available at <https://goo.gl/kovCWh>.

those previously uncovered.” L.D. Hermer & M. Lenihan, *The Future of Medicaid Supplemental Payments: Can They Promote Patient-Centered Care?* 102 Ky. L.J. 287, 294 n.37 (2013) (quoting press reports). The inflation and market-basket adjustments had a similar impetus. See J. Reichard, *Biden Announces Deal With Hospitals to Cut Medicare, Medicaid Payments By \$155 Billion*, CQ Healthbeat, July 8, 2009.<sup>29</sup> But without federal reimbursement of cost-sharing reductions, hospitals will have to shoulder the Act’s funding cuts *and* an uncompensated-care burden similar to what they carried before the Act. That is a one-two punch from which hospitals and their communities cannot easily recover.

## **II. CONGRESS COULD NOT HAVE INTENDED THESE RESULTS.**

Congress could not have intended these harms to patients and hospitals. Congress’s goal in the Affordable Care Act was “[t]o ensure that health coverage is affordable.” S. Rep. No. 111-89, at 4 (2009). Cost-sharing reductions were an essential aspect of that affordability; lower-income patients should not have to pay for health coverage that they cannot afford to use.

That purpose informs the merits of the appropriations question before the Court. The Supreme Court has before noted that the Affordable Care Act is “far from a *chef d’oeuvre* of legislative draftsmanship.” *King*, 135 S. Ct. at 2493 n.3 (citation omitted); *id.* at 2492 (“The Affordable Care Act contains more than a few

---

<sup>29</sup> Available at <http://goo.gl/HoAwVU>.

examples of inartful drafting.”). And the Court therefore has interpreted the Act in light of Congress’s stated goals of creating functional, affordable exchanges offering comprehensive insurance to qualifying lower-income patients. *Id.* at 2493 (“We cannot interpret federal statutes to negate their own stated purposes.”) (quoting *New York State Dep’t of Social Servs. v. Dublino*, 413 U.S. 405, 419-420 (1973)). The Court should interpret the Act with these goals in mind.

The District Court’s order also leads to paradoxical results. If the Court were to affirm, the government will spend even more money than it currently does. Eliminating federal reimbursement of cost-sharing reductions will increase the price of silver exchange plans. *Supra* at 10-11. And because tax credits for all patients are pegged to the cost of silver plans, the available credits for those enrolled in exchange plans will increase. *Implications, supra*, at 5. That would cost the government over \$3.6 billion more than if the cost-sharing subsidies were left as is. *Id.* at 8. And all agree that this \$3.6 billion additional expense is authorized by the Affordable Care Act; there is a standing appropriation to pay for premium-support subsidies. *See* J.A. 68. This spending increase suggests that the District Court’s holding may be in tension with the Affordable Care Act’s purposes and goals. *See* Secretaries’ Br. 50-53.

## CONCLUSION

The Court should decide this appeal in light of the foregoing principles.

Respectfully submitted,

/s/ Catherine E. Stetson

CATHERINE E. STETSON

SEAN MAROTTA

HOGAN LOVELLS US LLP

555 Thirteenth Street, N.W.

Washington, D.C. 20004

(202) 637-5491

cate.stetson@hoganlovells.com

*Counsel for Amici Curiae*

## **CERTIFICATE OF COMPLIANCE**

Pursuant to Fed R. App. P. 32(a)(7)(C) and Circuit Rule 32(a), I hereby certify that the foregoing brief was produced using the Times New Roman 14-point typeface and contains 3,834 words.

/s/ Catherine E. Stetson  
Catherine E. Stetson

## **CERTIFICATE OF SERVICE**

I certify that on October 31, 2016, the foregoing was electronically filed through this Court's CM/ECF system, which will send a notice of filing to all registered users.

/s/ Catherine E. Stetson  
Catherine E. Stetson