

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

October 6, 2011

Joint Select Committee on Deficit Reduction
The Honorable Jeb Hensarling, Co-Chair
The Honorable Patty Murray, Co-Chair

Members:

The Honorable Xavier Becerra
The Honorable Dave Camp
The Honorable James E. Clyburn
The Honorable Fred Upton
The Honorable Chris Van Hollen
The Honorable Max Baucus
The Honorable Jon Kyl
The Honorable John Kerry
The Honorable Rob Portman
The Honorable Pat Toomey

Dear Co-Chairs and Members:

The undersigned organizations join all Americans in thanking you for your service on the Joint Select Committee on Deficit Reduction. We appreciate the challenge and urgency of restoring our nation's fiscal stability and understand that everyone will be called on to contribute.

The difficult decisions you make, however, should be fact-based and with a full understanding of their implications. Along those lines, we are very concerned that the President and others have proposed deep, arbitrary reductions in critical Medicare payments to hospitals that are made on behalf of seniors unable to meet their cost-sharing obligations.

The purpose of these payments is to reimburse the costs of care that seniors receive, but only when they cannot meet their cost-sharing obligations. As you can well imagine, this is happening more frequently as seniors struggle and fall victim to our faltering economy.

Medicare has always recognized these costs. Since the inception of the hospital prospective payment system, however, HHS elected to pay for these costs separately, outside the base bundled payment. So while they may appear as a stand-alone payment, they are no less a core hospital payment element than the adjusted base payment with which they are combined to constitute "payment in full."

Cutting these payments is tantamount to an across-the-board reduction that hurts all community hospitals and the seniors they serve -- rural and urban, teaching and non-teaching alike.

It is also important to note that an increasing share, now more than half, of these Medicare payments is attributable to Medicaid-enrolled low-income seniors in states with payment policies that, in effect, ignore all or a substantial portion of their cost-sharing obligations. This puts hospitals in an untenable position with no other recourse.

As you know, America's hospitals are vital community assets in every corner of our country. They sustain local economies, grow jobs and provide access to the health care seniors expect and deserve. An arbitrary cut to Medicare bad debt payments on behalf of seniors is bad policy that will weaken the hospital safety net that seniors rely on.

Thank you for your attention to this important policy issue. We look forward to working together to support America's community hospitals at the same time that we put America's fiscal house in order.

Sincerely,

Federation of American Hospitals
Association of American Medical Colleges
American Hospital Association
Catholic Health Association of the US
National Association of Public Hospitals and Health Systems
Premier Healthcare Alliance