America's Hospitals and Health Systems

February 1, 2012

Dear Member of Congress:

As you know, before the end of 2011, Congress passed a two-month extension of the Social Security (SS) payroll tax holiday and emergency unemployment insurance (UI) benefits, along with a two-month extension of current Medicare physician payment rates, temporarily preventing a 27.4 percent cut scheduled to take effect Jan. 1. America's hospitals strongly support fixing Medicare's flawed physician payment system but not by further cutting resources for the hospital services upon which America's seniors depend. We remain extremely concerned that cuts in Medicare and Medicaid payments for hospital services are again on the table as part of the upcoming House-Senate conference committee on H.R. 3630.

H.R. 3630 as passed by the House in December jeopardizes access to care for all patients by cutting more than $20 billion in hospital payments. Cuts of this magnitude will mean fewer nurses, longer waits for emergency care and decreased access to new treatments. America's hospitals encourage you to look elsewhere to pay for changes to the sustainable growth rate (SGR), including looking at the Overseas Contingency Operations funds, so long as those funds cover the entire cost of the SGR fix.

Specifically, the bill would reduce hospital outpatient payments by drastically cutting payments for evaluation and management services by $6.8 billion. These services are among the most common outpatient services provided in hospitals. The bill also would reduce Medicare "bad debt" payments that help hospitals care for low-income seniors. Reducing bad debt payments could result in the loss of health services and programs that are essential for Medicare beneficiaries, as well as other patients. The bill also reduces payments to hospitals by rebasing Medicaid disproportionate share hospitals in future years.

At the same time, the bill fails to include expiring provisions that help provide care in rural America. In addition, it is inappropriate to finance the extension of the therapy cap exception process and generate additional savings by changing payment policy for therapy services delivered in the hospital outpatient department. Further, the bill increases spending by relaxing restrictions on self-referral to physician owned hospitals. According to the Congressional Budget Office, Medicare Payment Advisory Commission and independent researchers, self-referral results in increased utilization of services and higher costs for the Medicare program. Conflict of interest is inherent in these arrangements and allowing for their proliferation would prove to be a giant step backwards for both consumers and taxpayers.

These potential Medicare and Medicaid cuts would be devastating to hospitals and the patients and communities they care for, especially at a time when hospitals are already absorbing cuts as a result of state reductions and recent legislative and regulatory changes, including the 2 percent cut called for under the sequestration included in the *Budget Control Act of 2011*. Hospitals are important sources of jobs in most communities. However, recent cuts already in place could translate into job losses of nearly 200,000. Additional reductions from the House passed bill could lead to the loss of an additional 83,000 jobs.

Eliminating planned cuts to physicians in Medicare is aimed at ensuring access to care for our nation's Medicare beneficiaries. Simultaneously cutting hospital payments defeats the purpose, by raising new barriers to access. We urge you to oppose this bill and its additional cuts to hospitals, which will harm health care in communities across America.
Sincerely,

American Hospital Association
Association of American Medical Colleges
Catholic Health Association of the United States
Federation of American Hospitals
National Association of Children's Hospitals
National Association of Psychiatric Health Systems
National Association of Public Hospitals and Health Systems
Premier, Inc.
VHA Inc.