

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

January 26, 2009

The Honorable Max Baucus
U.S. Senate
Washington, DC 20510

Dear Chairman Baucus:

On behalf of the nation's more than 5,000 hospitals, we are writing to urge you to include direct relief for hospitals in the economic recovery package currently under development by the Finance Committee. The ripple effects of the financial crisis, rise in unemployment and the loss of job-based health care coverage have impacted hospitals' ability to continue to serve their communities. This pressure, coupled with other payment pressures, is leading to a decline in hospitals' financial health at a time when demand for health care services is growing.

Specifically, we urge you to include two provisions that were adopted by the House Energy & Commerce Committee, which would provide direct operating relief to hospitals:

- **Moratoria on Medicaid and Medicare Regulations** – An extension of the moratoria on six Medicaid regulations, as well as a moratorium on the seventh regulation (hospital outpatient services), which was not included in the moratoria package last summer. An extension beyond the current March 31 expiration date would give the Obama Administration time to review the regulations, and hopefully, permanently withdraw them.

Reductions to Medicare capital indirect medical education (IME) payment, which went into effect on October 1, will also eliminate \$1.3 billion over five years from teaching hospitals. These unnecessary cuts ignore how vital these capital improvements are to investment in the latest medical technology and ongoing maintenance and improvement of hospital facilities. We urge the Finance Committee to follow in the steps of the Ways & Means Committee by including a moratorium on this regulation in its bill.

- **Medicaid DSH Allotments** – A temporary increase in federal Medicaid disproportionate share hospital (DSH) allotments. Medicaid DSH payments are the only Medicaid funding stream through which states are explicitly allowed to reimburse providers for care to the uninsured, and thus a clear mechanism for targeting funds to providers facing an increasing number of unemployed and uninsured patients. However, DSH spending has been artificially capped at a level that is not based on need or demand, and most state DSH allotments have essentially been frozen in place since 2004. The Senate could more broadly address the sharp rise in the number of uninsured by increasing the Medicaid DSH allotments for all states as the Energy & Commerce Committee did in its bill. We recommend that the Committee increase allotments by 5.6%, mirroring the Committee's suggested FMAP increase.

Hospitals are also a critical part of our nation's economy as the largest private sector source of jobs—5 million nationwide. A recent American Hospital Association survey of over 600 hospitals found that:

- A majority noted an increase in the proportion of patients unable to pay for care, and uncompensated care increased 8 percent from July to September versus the same period last year.
- Financial stress is forcing them to make or consider making cutbacks to meet their obligations. Over half of surveyed hospitals reported plans to reduce staff (53 percent) and over a quarter of surveyed hospitals reported plans to reduce services (27 percent).

America's hospitals are committed to helping the country survive the current economic crisis, but will require an immediate investment of federal assistance to meet increasing demand, ensure access to care, retain employees and make necessary infrastructure investments. The American Hospital Association, Association of American Medical Colleges, Federation of American Hospitals and National Association of Public Hospitals and Health Systems look forward to working with you in this important endeavor.

Sincerely,

American Hospital Association
Association of American Medical Colleges
Federation of American Hospitals
National Association of Public Hospitals and Health Systems