

Congress of the United States
Washington, DC 20515

January 13, 2010

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232, U.S. Capitol
Washington, DC 20515

Dear Madam Speaker:

We strongly commend your leadership in working to reform our nation's health care system. With passage of bills in both chambers, we stand on the brink of enacting landmark reform legislation to bring urgently needed improvements to our health care system and provide our constituents with access to affordable, high-quality coverage. We are writing to express our concerns about the proposed reductions in Medicaid and Medicare Disproportionate Share Hospital (DSH) payments – an important difference between the House and Senate-passed health reform bills.

Historically, Medicaid hospital reimbursement rates, on average, have been lower than the cost of providing care, and DSH payments were instituted to cover reimbursement shortfalls and uncompensated care costs. Even with passage of comprehensive health care legislation, the need for DSH reimbursement will remain as there will be several at least 15 million individuals newly eligible to receive care through Medicaid and millions of others who will remain ineligible for coverage under the House and Senate proposals. The Senate-passed legislation would reduce federal funding for Medicaid DSH payments by \$19 billion and Medicare DSH payments by \$24 billion over ten years; reductions to DSH payments of this magnitude will certainly jeopardize the stability and the services provided by our safety net system. The House-passed bill includes much more reasonable reductions of \$10 billion each from Medicaid and Medicare DSH.

Medicaid and Medicare DSH payments allow safety net hospitals, including public hospitals and children's hospitals, to care for a disproportionate share of low-income children and adults regardless of whether they are enrolled in Medicare, Medicaid, or the Children's Health Insurance Program, or are uninsured. Many of these individuals suffer from chronic conditions and disparities in access to care, which safety net hospitals help address. DSH payments also serve as a critical tool for safety net hospitals to maintain operations which benefit the entire community, including trauma centers and burn units.

Medicaid DSH, in particular, provides critical financial stability for safety net hospitals and health systems throughout the country by helping high-volume Medicaid hospitals make up for historically insufficient reimbursement rates. Medicare DSH is also a critical source of funding to a significant number of hospitals. To retain our health care safety net's stability, we believe that future DSH payments must continue to recognize financial losses sustained by these providers due to Medicaid reimbursement shortfalls and uncompensated care.

When blending the health care reform bills passed by each chamber, we strongly urge you to ensure DSH funding levels are no lower than those proposed in the House bill. We appreciate your consideration on this issue and look forward to working with you in the coming weeks to enact comprehensive health care reform which ensures greater access to health care.

Sincerely,

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