

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

December 14, 2011

Dear Senator:

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. The *Middle Class Tax Relief and Job Creation Act of 2011* which passed the House on Tuesday jeopardizes access to care for all patients by cutting nearly \$20 billion in hospital payments. Cuts of this magnitude will mean fewer nurses, longer waits for emergency care and decreased access to new treatments.

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. None of these provisions have been subject to any hearings or committee process to determine appropriate reimbursement policy.

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 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 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 will further exacerbate job losses at a time when our nation needs to be creating 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. Should the Senate consider H.R. 3630 as passed by the House, we urge you to oppose this bill and its additional cuts to hospitals, which will harm health care in communities across America.

Sincerely,

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