



**American Hospital  
Association**

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The Honorable Barack Obama  
President of the United States  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

Dear Mr. President:

On behalf of the American Hospital Association's (AHA) nearly 5,000 member hospitals, health systems and other health care organizations, and our 43,000 individual members, I urge you to protect access to health care services for seniors and the disabled by not including any further hospital payment reductions under Medicare in your fiscal year (FY) 2017 federal budget proposal.

In communities across America, hospitals provide access to the most sophisticated and advanced health care in the world, 24 hours a day, seven days a week, 365 days a year. Unfortunately, additional cuts to payments for hospital services, such as those included in the Administration's \$423 billion reductions proposed for Medicare providers in last year's budget request, would seriously challenge hospitals' ability to keep the promise of maintaining access to quality health care services. Such cuts would severely jeopardize our ability to purchase new technologies, upgrade facilities and continue to invest in information systems and other activities necessary to transform the delivery system to make it more effective and efficient. In addition, such reductions also would inevitably result in job loss, as nearly half of a hospital's budget is devoted to labor costs.

Specifically, the AHA strongly opposes the following cuts over 10 years contained in last year's budget:

1. Reduction in Graduate Medical Education by \$16.3 billion;
2. Reduction in bad debt payments to providers, including hospitals, by \$31.1 billion;
3. Reduction in critical access hospital (CAH) payments from 101 to 100 percent of reasonable costs (\$1.7 billion);



4. Elimination of CAH designation for hospitals located fewer than 10 miles from the nearest hospital (\$770 million);
5. Implementation of site-neutral payments for certain procedures commonly treated in inpatient rehabilitation facilities (IRFs) and skilled nursing facilities (\$102 billion);
6. Raising the “60% Rule” threshold for IRFs back to 75 percent (\$2.2 billion);
7. Strengthening the Medicare Independent Payment Advisory Board (\$20.9 billion).

America’s hospitals also strongly oppose any proposals to expand site-neutral payment cuts in hospital outpatient settings.

With total payment reductions to hospitals approaching \$158 billion dollars since 2010, including more than \$62.7 billion in Medicare sequestration cuts, many hospitals are at a breaking point in their ability to ensure patients have access to the care they need, when they need it. Hospitals also continue to absorb the difference between what it costs to provide care to Medicare beneficiaries and the reimbursement that Medicare provides – last year, Medicare’s hospital reimbursement was 14 percent below the cost of care. In addition, the expansion of insurance coverage envisioned in the Affordable Care Act has not yet been fully realized, leaving hospitals to treat more uninsured patients than expected.

Now is the time to work together toward long-term solutions that will set Medicare on a path toward future sustainability and protect the promise of care for our nation’s seniors. Payment cuts that simply reduce funding for hospital services should not be part of that effort, and we ask that you refrain from including such cuts in your FY 2017 budget submission. Hospitals are working to make health care more affordable through innovations in care delivery focused on improving population health, increasing quality and efficacy of care, and better managing transitions across the care continuum. Our patients and communities depend on all of us to deliver the promise of health, today and tomorrow.

Sincerely,

/s/

Richard J. Pollack  
President and Chief Executive Officer