

Congress of the United States
Washington, DC 20515

March xxx, 2006

The Honorable Jim Nussle
Chairman
House Budget Committee
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Nussle:

We value your leadership in working to shape a viable fiscal year (FY) 2007 House Budget Resolution, and appreciate the difficult task the House Budget Committee will face in developing a resolution that charts a course towards a strong and healthy America, while ensuring fiscal discipline.

However, we want to express our concern and dismay over certain elements of the Administration's FY 2007 budget request for Medicare. The budget's steep Medicare reductions could hurt the people who depend on the program for care. We are writing to inform you that we oppose the inclusion of these Medicare cuts in the House's FY 2007 Budget Resolution.

The President's plan proposes to reduce Medicare spending by \$36 billion over five years (2007 – 2011) and \$105 billion over 10 years. Of the five-year total, \$15.9 billion, or 42 percent, comes from reductions in the inpatient, rehabilitation, and outpatient hospital update factors. In addition, the Administration's FY 2007 budget proposes to phase out bad-debt payments. Further, the updates for skilled nursing facilities and home health agencies would be eliminated in FY 2007 and reduced in later years, along with the update for hospices under the President's plan. Other major sources of savings come from reduced payments for patients requiring post-acute care for hip and knee replacement.

As you are aware, more than 80 million Americans depend on their local hospitals and health systems for vital Medicare and Medicaid services. America's hospitals care for everyone who comes through their doors twenty-four hours a day, seven days a week. Hospitals are not just a health care safety net for their communities, but also anchor local economies. They also must stand ready to respond to natural disasters, pandemic diseases, and the threat of terrorism.

Unfortunately, our hospitals are already stretching scarce resources to respond to the daily challenges of caring for all who come through their doors. At a time when 32 percent of hospitals have negative total margins and 7 out of 10 are losing money on Medicare, we strongly believe now is not the time for further reductions.

We share the Administration's concern regarding the fiscal viability of Medicare, and pledge to work with you to improve the program. But, we are very concerned that further reductions in Medicare reimbursement to hospitals and health systems will adversely affect their ability to continue providing a broad array of high quality patient care and services. We urge you to protect health care for all Americans by ensuring that the budget does not include the proposed reductions to hospital and health system Medicare spending.

Sincerely,

John M. McHugh, M.C.

Jim Gerlach, M.C.