

January XX, 2009

Dear President-Elect Obama:

We look forward to working closely with you to address the problems facing our nation today.

We recognize and appreciate the monumental nature of the task you are undertaking and know that there are an infinite number of competing concerns involved in addressing the current economic crisis. Your goal of creating 2.5 million jobs by investing in our nation's infrastructure and putting Americans to work building roads, bridges and refurbishing schools is a commendable one. We would like to urge that while you and your economic team are formulating a strategy, you keep in mind the necessity of maintaining the economic health of our nation's hospitals as a very real and viable part of the solution.

Hospitals are a critical part of our nation's economy as the largest private sector source of jobs—5 million people nationwide. Every dollar spent by a hospital supports more than \$2 of additional business activity in a community. Nationwide, hospitals generated \$3 billion in payroll and benefits in 2007, with an overall impact on the economy of \$1.98 trillion. However, the widespread and devastating crisis we face in the nation's financial markets has severely harmed 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. As such, we feel the following areas should be addressed as part of a larger economic stimulus proposal:

- Increase resources and flexibility in the Department of Housing and Urban Development Office of Insured Health Care Facilities (OIHCF). This important program has a proven track record in supporting financing and development of our nation's health care infrastructure. As hospitals find it increasingly difficult or impossible to access the capital markets, the OIHCF can support necessary investment in hospital renovation, construction and upgrades. In addition, OIHCF estimates the projects they have assisted in FY 2008 alone provide and economic stimulus of \$1.65 billion and support over 5,500 total jobs in the hospitals' communities during construction. These projects, when complete, are projected to provide an annual economic stimulus that could reach up to \$526 million and create 3,200 new jobs in the hospitals and their surrounding communities. Establish a new construction grant for hospitals unable to meet eligibility requirements under the 242 program. Financing under this new program would be separate and distinct from the existing Hospital Mortgage Insurance Fund. Qualified institutions would include essential community hospitals and nursing homes, as well as hospitals providing critically-needed tertiary state-of-the-art care, research, or training.

- An immediate investment in health care information and technology systems (IT). Many hospitals and health systems have been pioneers in harnessing information technology to improve patient care and high quality medicine. A strong federal financing role is necessary for the benefits of IT to be realized throughout the health care system. Financing should be made available in three areas: (1) Payment adjustments under Medicare for hospitals using quality-enhancing, clinical IT; (2) loans and grants to cover capital costs of acquiring and implementing quality-enhancing, clinical IT; and (3) grants for health information exchange efforts.
- Immediate access to a federal government backstop of existing debt to permit refinancing. The ongoing credit crisis has limited or prevented access to the debt markets for hospitals. Many hospitals are simply unable to meet payments due on existing debt and lack cash on hand to keep operating without the ability to remarket existing debt. The severely restricted capacity for bond insurance, the collapse of the auction rate market, and the loss of inexpensive and widely available liquidity support and credit substitution make it imperative that the federal government step in to support hospital debt.
- Two final Bush Administration rules should be placed under moratoria: the Medicaid hospital outpatient rule and the Medicare indirect medical education (IME) capital payment cut. The outpatient rule substantially departs from long-standing Medicaid policy regarding the definition of Medicaid outpatient hospital services. Under the IME capital payment cut, in FY 2009 hospitals will receive half their capital IME adjustment; in FY 2010 and beyond, the adjustment will be eliminated. These unnecessary cuts ignore how vital these capital payments are to investment in the latest medical technology, ongoing maintenance and improvement of hospital facilities and importance of medical education.

Providing capital investment to hospitals is a perfect vehicle for the type of infrastructure improvements you envision and would assist in achieving your goal of quickly laying the groundwork for sustained economic growth. America's hospitals have many capital improvement projects ready to implement, which will create new immediate new living wage jobs and the jobs of many Americans who are already working will be saved.

Sincerely,

Members of Congress