

June 14, 2022

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi and Leader McCarthy:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinical partners — including more than 270,000 affiliated physicians, two million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) **urges Congress to act now to prevent additional Medicare sequester cuts to hospitals scheduled to go into effect on July 1, 2022.** Hospitals and health systems need financial relief from this pending cut in order to maintain access to care for the patients and communities they serve, while they continue to face dire financial and workforce pressures brought on by the COVID-19 pandemic.

Since the beginning of the pandemic, there have been over 85 million COVID-19 cases and over 1 million deaths in the U.S., as well as nearly 5 million total reported COVID-19 hospital admissions placing hospitals under tremendous financial pressure. The pandemic has resulted in higher expenses for labor, drugs and supplies. In addition, the rampant inflation facing the overall economy has created an unprecedented crisis for hospitals and health systems, whose fixed reimbursement rates cannot keep up with record high costs.

In April, the AHA released a [report](#) highlighting the unprecedented increase in expenses as a result of a variety of workforce, supply chain and economic factors. Even before the pandemic, labor costs — including recruitment, retention, benefits, incentives and training — accounted for more than 50% of hospitals' total expenses. By the end of 2021, hospital labor expenses per patient were 19.1% higher than pre-pandemic levels.



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Meanwhile, hospital prices continue to increase at a lower rate than overall economic inflation. All these factors have led to a [historically poor first quarter financially](#) for hospitals' and health system this year. And as recently as April, [operating margins were down nearly 40%](#) from the prior month. If these trends continue, patients' access to timely COVID-19 and other lifesaving care could be jeopardized.

Unlike other sectors of the economy, hospitals and health systems cannot deflect these increased costs. A majority of payments to hospitals and health systems are dependent on Medicare and Medicaid — which reimburse hospitals less than the cost of providing care and are nonnegotiable, fixed reimbursement rates. These fixed costs don't allow hospitals to absorb or deflect the impact of the historic inflation levels. In fact [94% of hospitals have 50% or more of their inpatient days paid by Medicare or Medicaid](#), and more than three quarters of hospitals have 67% or more Medicare or Medicaid inpatient days.

Finally, hospitals and health systems have already faced Medicare payment cuts this year, despite all of the financial challenges they face. A 1% Medicare sequester cut took effect April 1, and that cut will increase to 2% on July 1 if Congress does not act. Without immediate action, the AHA estimates hospitals will lose at least \$3 billion by the end of the year. These further Medicare payment cuts threaten access to care for patients and communities.

We implore Congress to not cut hospitals on July 1. Hospitals and health systems are still recovering from a pandemic and providing care during a public health emergency. Thank you for your consideration.

Sincerely,

/s/

Stacey Hughes
Executive Vice President