



**American Hospital
Association**

January 15, 2015

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

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President and
Chief Executive Officer

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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 further hospital payment reductions under Medicare in your (FY) 2016 Federal Budget proposal.

America's 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 hospitals, such as those included in the \$354 billion reductions proposed for Medicare providers in last year's Federal Budget, would seriously challenge hospitals' ability to keep the promise of maintaining access to quality health care services. Additional Medicare cuts would 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. Furthermore, such reductions will also inevitably result in job loss, because nearly half of a hospital's budget is devoted to labor costs.

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

1. Reduction in Graduate Medical Education by \$14.6 billion;
2. Reduction in bad debt payments to providers, including hospitals, by \$30.8 billion;
3. Reduction in critical access hospital (CAH) payments from 101 to 100 percent of reasonable costs for savings of \$1.7 billion;
4. Elimination of CAH designation for hospitals located fewer than 10 miles from the nearest hospital for savings of \$720 million;
5. Implementation of site-neutral payments for certain procedures commonly treated in skilled nursing facilities and inpatient rehabilitation facilities (IRFs) for savings of \$1.6 billion;
6. Raising the "60% Rule" threshold for IRFs back to 75 percent for savings of \$2.4 billion;
7. Strengthening the Medicare Independent Payment Advisory Board for savings of \$12.9 billion.



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

With total hospital cuts approaching \$122 billion since 2010, including more than \$58 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.

At the same time, we applaud the Administration's proposal in last year's budget to replace the Budget Control Act's remaining sequestration, and the Administration's proposal to make changes to beneficiary premiums, deductibles and co-pays for a savings of \$59.72 billion. The AHA believes that this kind of true entitlement and delivery system reform are needed – not arbitrary hospital cuts.

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. The time is now to work together toward long-term solutions that will set Medicare on a path toward future sustainability, while protecting the promise of care for our nation's seniors and the disabled. 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 2016 Federal Budget proposal. Our patients and communities depend on all of us to deliver the promise of health, today and tomorrow.

Sincerely,

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Rich Umbdenstock
President and CEO