

## AMERICA'S HOSPITALS AND HEALTH SYSTEMS

February 4, 2015

Dear Members of the Senate Finance Committee, Senate Budget Committee, House Ways and Means Committee, House Energy and Commerce Committee and House Budget Committee:

We applaud recent efforts by Congress to achieve a bipartisan compromise on legislation to permanently resolve the Medicare Sustainable Growth Rate (SGR) for physician payment.

For too long, the annual action of “patching” the SGR has resulted in postponement of a sustainable and predictable remedy, escalated the budgetary cost of an eventual solution and resulted in significant and damaging Medicare and Medicaid cuts to hospitals. These cuts have contributed in part to the nearly \$122 billion in reductions imposed on hospitals since 2010.

Over the past several years, Medicare and Medicaid payments to hospitals have been used to pay for fiscal measures, such as sequestration, and other health care policies. These cuts do not come without consequences. According to the Medicare Payment Advisory Commission, hospitals are expected to have a Medicare margin of -9 percent in fiscal year 2015, which would be the lowest in history. Meanwhile, across the nation, hospitals have to make difficult decisions about whether to stay open or cut service lines, all while balancing increasing labor and other input costs. Policymakers cannot continually take from one provider to give to another and expect hospitals to maintain access to care for patients, reach new benchmarks in quality of care and efficiency, and implement the latest technology to care for our patients.

The hospital community places great value in our relationship with physicians and in the need for a proper, permanent fix to the SGR. Doctors must be reimbursed properly for their work to create a sound ecosystem for patients, regardless of which type of payment model applies. However, it is unsustainable and unacceptable for hospitals to take on any further financial burden in order for this to be accomplished. We urge the committees to recognize the operational realities facing community hospitals.

Eliminating planned cuts to physicians in Medicare is aimed at ensuring access to care for our nation's Medicare beneficiaries. Simultaneously cutting hospital payments defeats this purpose by raising new barriers to access. We urge you to oppose any additional hospital Medicare and Medicaid cuts to offset the cost of resolving the SGR.

Sincerely,

America's Essential Hospitals  
American Hospital Association  
Association of American Medical Colleges  
Catholic Health Association of the United States  
Children's Hospital Association  
Federation of American Hospitals  
National Association of Psychiatric Health Systems  
Premier healthcare alliance  
VHA Inc.