MARY L. LANDRIEU
LOUISIANA

United States Senate

WASHINGTON, DC 20510–1804

April 26, 2013

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Sebelius:

I write to express my opposition to the significant cuts to hospitals in your FY14 Budget proposal, and particularly with your proposal to cut Medicare payments on behalf of seniors unable to meet their cost sharing obligations, so-called Medicare "bad debt" payments to hospitals.

Louisiana's hospitals, and the seniors who rely on them for their critical health care needs, depend on Medicare to maintain its commitment and step in when seniors need help. However, your proposal to cut Medicare "bad debt" is the wrong policy and threatens to harm access to care in our Louisiana's communities.

Unfortunately, seniors in Louisiana are continuing to struggle in this weakened economy. When they are unable to meet their Medicare cost sharing obligations, the Medicare program has provided partial payment, currently 65 percent, for the care received by that patient after the hospital has done everything in its own power to collect. This collection process can often take years. This cost sharing component is considered a core payment for the lifesaving services provided by the hospital, and hospitals throughout Louisiana rely on these payments to help make ends meet. Further, there is a growing amount of bad debt that hospitals are prevented, by law, from even trying to collect – cost-sharing attributable to low-income Medicare beneficiaries who are dually eligible for Medicaid. Hospitals that serve this low-income population are already operating on very narrow margins, and we are concerned that further payment reductions could result in reduced access to vital services.

I am also troubled with the policy justification for the bad debt cut cited in your budget proposal. The budget states that this cut is reasonable in order to "align Medicare policy more closely with private sector." However, no such similarity exists. Hospitals cannot negotiate payment rates with Medicare as they do with commercial insurers. Negotiations in the private sector take into consideration the reality that there will be some unpaid cost-sharing obligations, and the negotiated rates can be adjusted accordingly.

We must get our nation's health care spending under control. However, the path to reduced Federal health spending growth in the years ahead demands sensible and sustainable solutions. Cuts to Medicare "bad debt" payments to hospitals are arbitrary and blunt and will not serve as a solution to the issue of fiscal viability confronting the Medicare program.

I look forward to working with the Administration to address rising health care costs, including the challenges of an aging America which is a leading driver of growth in health care spending over the long term. Thank you for your attention to this important issue.

With warm regards, I am

Sincerely,

Mary L. Landrieu
United States Senator

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