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United States Senate

WASHINGTON, DC 20510

June 3, 2013

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

Dear Secretary Sebelius:

I am writing to express my opposition to the significant cuts to hospitals in your Fiscal Year 2014 budget proposal, and particularly the cuts to Medicare "bad debt" payments to hospitals. I appreciate you taking the time to consider my concerns as they relate to the State of Nevada.

Nevada's hospitals, and the seniors who rely on them for their 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 concerning. Regulations and the existing financial strain on Medicare already limits the care available to many Nevadans, so I see it as my responsibility to ensure continued access to the health care services seniors need.

Nevada is home to 38 community hospitals which are responsible for almost 250,000 annual admissions and over two million outpatient visits. With such high numbers visiting our community hospitals, you can see why I am greatly concerned. Furthermore, Congress must exercise caution in light of significant cuts to hospital reimbursements in recent years, and before considering future budget proposals. If the President's budget policy had gone into effect in 2011, Nevada hospitals would have seen an $8.5 million cut. The Medicare program sets both the hospital payment and cost-sharing rates forcing hospitals to navigate the cost structure imposed by the Centers for Medicare and Medicaid Services.

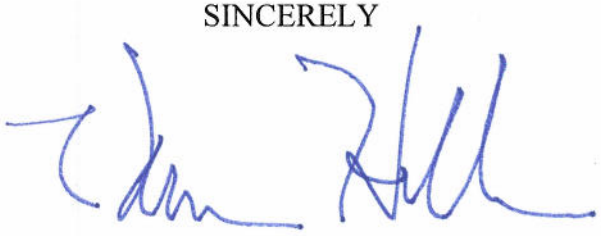
I am particularly concerned with the growing amount of bad debt that hospitals are prevented, by law, from even trying to collect – cost-sharing attributable to low-income Medicare beneficiaries who are dually eligible for Medicaid. In my home state of Nevada, dual eligibility in 2011 accounted for 62 percent of bad debt incurred compared to 45 percent in 2009. $20 million of bad debt was reported during this time, a 46 percent increase that can be attributed to dual eligibility. The hospitals that serve this low-income population are already operating on very narrow margins, and I am 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. 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.

Medicare is going bankrupt, and Congress is doing everything within its laws to strengthen and preserve this program. With the President's health care law going into effect by the end of this year, and making substantial changes to Medicare, I am following the impact it will have on health care safety net providers in my rural state. Rural providers depend on a variety of Medicare payments, some of which Congress creates on a temporary basis and have extended over the years. The current economic downturn has hit many hospitals hard, but those in rural areas, which often operate on very thin margins, are particularly vulnerable.

I look forward to working with the Administration to address the challenges facing our aging populating. Thank you for your attention to this important issue, and I look forward to hearing from you.

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DEAN HELLER
U.S. Senator