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Congress of the United States
House of Representatives
Washington, DC 20515

July 1, 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 write to express concern with a current proposal in the Department of Health and Human Services's (HHS) Fiscal Year 2014 Budget that would drastically and unreasonably cut Medicare payments on behalf of seniors who are unable to meet their cost-sharing obligations to hospitals. These payments, often referred to as "bad debt" payments, are critically important to hospitals in my district and across the country.

Circumstances sometimes arise such that seniors are not able to satisfy their cost-sharing obligations. Medicare will then step in to cover a portion of these bad debts so that the burden does not fall onto the hospital alone. Unlike in agreements with private health insurance providers, hospitals do not have the ability to negotiate with Medicare to cover the costs of their patients who are unable to fulfill their cost-sharing obligation. Without these payments, hospitals will be put in an untenable position with no other recourse and will likely be forced to cost-shift uncollected payments to private payers.

Currently, Medicare provides a 65 percent partial payment for the care received by a beneficiary after the hospital has exhausted every reasonable effort to collect the cost-sharing obligation, which can often take years to complete. This cost-sharing component is considered a core payment for the services provided by the hospital and relied on by hospitals 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, including those from low-income Medicare beneficiaries who are dually eligible for Medicaid. Hospitals that serve this low-income population are already operating on very narrow margins. Further payment cuts could result in reduced access to vital services.

We must work together to bend the health care cost curve and get health care spending under control. However, the path ahead necessitates sensible and sustainable solutions. To date, the Medicare Payment Advisory Commission has not recommended reductions to these payments, and no recent hearings have been conducted focusing on Medicare bad debt payment policy. Cutting these payments is not a solution to the long-term fiscal sustainability of the Medicare program.

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As HHS and Congress look for ways to bring down the cost of health care, it is my view that we should only look to policies that have been fully vetted so that we may understand the impact these decisions will have on Medicare beneficiaries and the providers who serve them. I look forward to working with you to address the drivers of growth in health care costs and the challenges of ensuring the sustainability of a robust Medicare program for all of our nation's current and future seniors. I appreciate your consideration of my thoughts on this important issue.

Sincerely,



Brad Schneider