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June 7, 2013

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

Dear Secretary Sebelius:

I write to express concerns about proposed cuts to hospitals in the Administration's FY14 Budget including the proposal to cut so-called "bad debt" payments.

I strongly support managing Medicare in fiscally responsible manner. I supported the Affordable Care Act, which included statutory reductions in hospital payments, with the understanding that more Americans would gain coverage. We have also seen hospitals contribute to bending the curve on health care cost growth, with Medicare hospital spending growth last year having its smallest increase in a decade. Arkansas 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. I am concerned that the Administration's budget proposal to further cut Medicare payments to hospitals could harm access to care in the communities I represent.

Unfortunately, seniors and the disabled in Arkansas are continuing to struggle in this weakened economy. When patients are unable to meet their cost sharing obligations under Medicare, 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 cost sharing component is considered a core payment for the lifesaving services provided by the hospital, and hospitals throughout our states 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.

I am also troubled with the policy justification for the bad debt cut cited in the 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 do not negotiate payment rates with Medicare as they do with commercial insurers. I am told by my hospitals that 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.

I look forward to working with the Administration to address the financial challenges facing Medicare at a time when our country has an aging population that is driving much of our growth in health care spending. Thank you for your attention to this important issue.

Sincerely,

Mark Pryor