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Congress of the United States
House of Representatives

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August 6, 2013

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

Dear Secretary Sebelius:

I write to express concern with the significant Medicare 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 "bad debt" payments to hospitals.

Seniors in Wisconsin are having a tough time in this weakened economy. When they are unable to pay their cost sharing requirement under Medicare, the program has provided hospitals partial reimbursement, currently 65 percent, for the bill a patient is unable to pay after the hospital has done everything in its own power to collect. There is a very good rationale for this policy. Since hospitals generally already accept lower rates to care for Medicare patients, these payments provide a backstop so hospitals do not face as severe losses when Medicare patients are unable to pay their full bills.

Additionally, hospitals in my congressional district serve a large number of low income seniors on Medicare, some of whom may be dually eligible for Medicaid as well. For these dual eligible individuals, hospitals are prevented, by law, from even trying to collect unpaid bills. This gives hospitals two options: attempt to operate on a very low margin, or shift the cost onto privately insured individuals. This cost shift is harder to do in rural areas where we have fewer privately insured patients to shift this cost onto than many urban areas.

The most recent changes to Medicare policy on bad debt payments will already reduce payments to Wisconsin hospitals by $55 million over the next ten years, $18 million of which will be felt by hospitals in the 7th Congressional District I represent. Part of the reason for this disproportionately large cut is that I represent a large number of Critical Access Hospitals, which saw their bad debt payments drop from 100% to 65%. Proposals to further reduce bad debt payments from 65% to 25% would cut the hospitals I represent by another $45 million, and cut Wisconsin hospital overall by $247 million.

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We must get our nation's health care spending under control with sensible and sustainable solutions. However, cuts to Medicare bad debt payments to hospitals are arbitrary and blunt and will not resolve the real issues facing Medicare. We should continue to focus on reforms that reward quality outcomes over simply paying on the number of services provided and Wisconsin hospitals can serve as a model for how to do this.

Thank you for taking this into consideration. I look forward to working with you to protect Medicare for our current seniors and preserve it for future generations.

Sincerely,



Sean P. Duffy
Member of Congress