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WASHINGTON, DC 20510

August 26, 2013

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

Dear Secretary Sebelius:

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

North Carolina hospitals, and the seniors who rely on them for their critical health care needs, depend on Medicare to maintain its commitment to step in when seniors need help. I am concerned that the Administration's budget proposals to further cut Medicare payments to hospitals could harm access to care in the communities I represent.

Unfortunately, seniors and the disabled in North Carolina 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 my state 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 the private sector." However, no such similarity exists. Hospitals do not negotiate payment rates with Medicare as they do with commercial insurers. North Carolina hospitals tell me that negotiations in the private sector take into account the reality that there will be some unpaid cost-sharing obligations, and the negotiated rates can be adjusted accordingly.

As we move forward with negotiations to complete the FY14 budget and reform the Sustainable Growth Rate this fall, I look forward to working with the Administration to address rising health care costs, including avoiding further cuts to Medicare "bad debt" payments to hospitals.

Thank you for your attention to this important matter.

Sincerely,

Kay R. Hagan
United States Senate