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Congress of the United States
House of Representatives
Washington, DC 20515–0536

October 8, 2013

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

Dear Secretary Sebelius:

I write to express concern with a current proposal in the Department of Health and Human Services' (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.

Unfortunately, seniors in California are continuing to struggle in this weakened economy. When they are unable to meet their cost sharing obligations, established by the Medicare program, 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.

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. Should the proposed 25 percent partial payment take effect, California hospitals would lose $1.48 billion over 10 years. My district is home to two community hospitals that serve many low-income seniors who often find themselves having to decide between paying their utility bill or receiving health care; this change would increase the financial strain on these essential community hospitals who provide vital services at an affordable cost. Furthermore, my district is already experiencing a health care professional shortage, and any cut to these community hospitals could mean more doctors leaving the area. With such a critical need for community hospitals, you can see why I am greatly concerned.

We must work together to sustain the current positive momentum of slowing growth in health care costs. 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 Medicare savings, 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,

Raul Ruiz, MD
Member of Congress

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