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December 16, 2013

The Honorable Kathleen Sebelius
Secretary
Department of Health and Human Services
200 Independence Avenue SW
Room 639 G
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 cut Medicare payments on behalf of seniors who are unable to meet their cost-sharing obligations to hospitals. I have heard from a number of providers in my community that these payments, often referred to as "bad debt" payments, are important to hospitals in Arizona and across the country.

Bad debt has increased over the past several years and is a growing concern for providers in my district. As you are aware, when seniors are unable to meet their cost sharing obligations, established by the Medicare program, Medicare covers a portion of these "bad debts" so that the burden does not fall solely to the hospital. These payments are an important tool to decrease the burden of uncompensated care on providers.

That is why I am concerned by the current proposal in HHS's Fiscal Year 2014 budget that would cut $25 billion from these payments over a ten year period, and the proposal's budget justification, which argues that it is reasonable in order to "align Medicare policy more closely with the private sector." Negotiations in the private sector account for some unpaid cost-sharing obligations, and the negotiated rates are adjusted accordingly. 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. While I appreciate the desire to control costs and align policies with the private sector when appropriate, this "alignment" is not possible.

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 collecting, including those from low-income Medicare beneficiaries who are dually eligible for Medicaid. In Arizona, 31% of Medicare bad debt payments were attributable to dual eligibles in 2011, which was nearly a 20% increase over 2009. 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.

I appreciate your time and consideration of this issue. I look forward to continuing to work with you to strengthen Medicare and increase affordable, quality healthcare options for all Arizonans.

Sincerely,



Kyrsten Sinema
Member of Congress