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December 13, 2011

The Honorable John Shimkus
U.S. House of Representatives
2452 Rayburn Office Building
Washington, D.C. 20515-1319

Dear Congressman Shimkus:

On behalf of the 200 hospitals and health systems that are represented by the Illinois Hospital Association (IHA), I am writing to urge you to oppose H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2011. In my view, this legislation breaks the covenant that Congress established with Illinois hospitals and hospitals across the nation, when it enacted the Affordable Care Act.

As introduced, H.R. 3630 would cut more than \$17 billion in hospital funding to pay for a two-year Sustainable Growth Rate (SGR) fix for Medicare payments to physicians, for an extension of long-term unemployment benefits, and for an extension of the Social Security tax reduction among other provisions. The estimated impact on Illinois hospitals would be reductions of more than \$49 million in calendar year 2012, increasing to \$62.5 million in calendar year 2013 and more than \$900 million over 10 years.

Specifically, the bill would: 1) Reduce hospital outpatient payments by cutting payments for evaluation and management (E/M) services by \$6.8 billion over 10 years; 2) Reduce Medicare bad debt payments, currently reimbursed at 70 percent, to 65 percent in 2013, 60 percent in 2014, and 55 percent in 2015, phasing in the reductions, beginning in 2013; 3) Reduce Medicaid DSH payments to hospitals by \$4.1 billion over ten years; 4) Relax restrictions on physician self-referral to physician-owned hospitals, which actually increases the deficit by \$300 million; and 5) Extend the therapy caps exceptions process which places an annual limit on covered therapy services and applies the annual therapy cap – for the first time - to therapy provided in the outpatient hospital setting.

In addition, while extending a select list of programs, H.R. 3630 fails to extend several important hospital programs slated to expire at the end of the calendar year, including:

- Payments for the technical component of certain physician pathology services;
- Outpatient hold-harmless provision for rural hospitals and sole community hospitals;
- Medicare cost payments for clinical diagnostic laboratory tests furnished in certain rural areas; and
- Section 508 hospital wage index reclassifications.

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While IHA supports the extension of these programs, we oppose Congress making drastic reductions in hospital programs to pay for the extensions. As Congress prepares to adjourn for the year, it is time to reiterate “Enough is enough.” Hospitals across the country are already absorbing \$155 billion in payment reductions mandated by the Affordable Care Act, and continued in the House Budget resolution. In Illinois, these two legislative vehicles have resulted in \$8 billion in reductions to hospitals.

Both the Medicare and Medicaid programs already underpay Illinois hospitals. On average in our state, hospitals receive only 91 percent of patient care cost from Medicare and 75 percent of patient care cost from Medicaid. Yet, hospitals and health systems across the state are continuing to work to make the health care system as cost efficient and effective as possible, while improving quality and ensuring the best outcomes for patients. Any additional deep cuts to Medicaid and Medicare, such as those contained in H.R. 3630, will only jeopardize and stymie our efforts and jeopardize care delivery in the state.

I urge you to vote against H.R. 3630, and begin the process of exploring rational, workable alternatives to achieve deficit reduction and funding for the extenders.

Sincerely,

Maryjane A. Wurth
President and CEO

cc: Virginia Muller