

February 3, 2012

FEDERAL ACTION ALERT

TO: Chief Executive Officers, Member Hospitals & Health Systems
Chief Financial Officers
Government Relations Personnel
Public Relations Directors

FROM: Maryjane A. Wurth, President and CEO, IHA
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SUBJECT: Join IHA, MCHC and AHA – Federal Advocacy Day Feb. 15

Hospitals are again facing the threat of substantial Medicare and Medicaid payment cuts as Congress works on legislation to finance extensions of federal programs scheduled to expire at the end of February. To urge Congress to oppose any further payment reductions to hospitals, AHA is holding a key **Federal Advocacy Day in Washington, D.C. on Wednesday, February 15, 2012.**

Action Requested:

- Contact your members of Congress now and urge them to oppose further reductions in the Medicaid and Medicare programs and reductions in urban and rural hospital programs to finance expiring tax and benefits programs (to send emails to your members of Congress, [click here](#)); and
- With the conference committee on legislation that includes cuts to hospitals (H.R. 3630) approaching key deadlines for reaching consensus on ways to finance the extenders, members are urged to join IHA, MCHC and AHA for the February 15 Advocacy Day. IHA and MCHC will be coordinating Advocacy Day visits with members of Congress. For more information, contact Kimberly Parker, IHA Vice President, Federal Relations at kparker@ihastaff.org or 202-624-7880; and Elizabeth Lively, MCHC Vice President, Government and External Affairs at elively@mchc.com or 312-906-6087.

BACKGROUND:

The second session of the 112th Congress convened on January 3, 2012, with the House and Senate confronting many outstanding items, including the federal deficit. When the Joint Select Committee on Deficit Reduction (a.k.a. the Super Committee) and its members failed to reach consensus and report a multi-year deficit reduction plan to Congress, the House and Senate began separate debates on short- and long-term extensions of federal programs scheduled to expire at the end of the calendar year. After a series of fits and starts, Congress approved legislation, H.R. 3630, to extend the programs scheduled to expire through February 29, 2012, and set up a conference committee.

As passed by the House, H.R. 3630 financed the program extensions through a series of cuts to hospital programs, including:

- Reducing hospital outpatient payments by cutting payments for evaluation and management (E/M) services by \$6.8 billion over 10 years;
- Reducing Medicare bad debt payments, currently reimbursed at 70 percent, beginning in 2013 to 65 percent, 60 percent in 2014, and 55 percent in 2015;
- Relaxing restrictions on physician self-referral to physician-owned hospitals (which adds \$300 million to the deficit);
- Rebasing Medicaid DSH Payments to hospitals, reducing the payments by \$4.1 billion over the next ten years;
- Extending 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; and
- Failing to extend several important rural hospital programs slated to expire at the end of the calendar year.

The conference committee, composed of 20 members of the House, began debating these reductions on January 24, 2012. While the conference committee meets, hospital programs remain in jeopardy for more reductions.

KEY MESSAGE POINTS:

- “No more cuts to hospitals.” Hospitals across the country are already absorbing \$155 billion in payment reductions mandated by the Accountable Care Act, including \$8 billion in reductions to hospitals in Illinois;
- Both Medicare and Medicaid already underpay hospitals. On average, in Illinois hospitals receive only 90 percent of cost from Medicare and 75 percent from Medicaid (without the Hospital Assessment Program);
- Further cuts to Medicaid and Medicare would be devastating to the health care system in Illinois, especially with the state continuing to face challenges with its budget and support of the Medicaid program; and
- My hospital and hospitals across the state are working to make the health care system as cost efficient and effective as possible, while improving quality and ensuring the best outcomes for patients. However, additional cuts to Medicaid and Medicare will only jeopardize and stymie those efforts.

ALTERNATIVES:

The hospital communities in Illinois and across the nation support a variety of alternatives to achieve meaningful deficit reduction. Among these options, there are many health care policy alternatives that could be used to support deficit reduction that don't simply cut Medicare and Medicaid payments. Hospitals believe that the following are some of the

alternatives should be discussed and thoughtfully considered in the deficit reduction debate:

- Modernizing cost sharing for Medicare, Medicaid and TRICARE;
- Increasing the FICA tax to support Medicare Part A spending;
- Implementing “real” comparative effectiveness research and programs;
- Improving programs to improve care at the end of life;
- Developing programs to coordinate care for individuals eligible for both Medicare and Medicaid;
- Applying Medicare reforms in the ACA (such as accountable care organizations, medical homes, bundling) to Medicaid;
- Increasing use of generic drugs and biologicals;
- Modernizing the Medicaid long term care benefit;
- Enacting Medical liability reform; and
- Taxing junk foods and sugary drinks.

IHA and MCHC urge members to be part of this important advocacy day and will be coordinating visits with members of Congress. Please join your colleagues from across Illinois and the nation in Washington on February 15, 2012 to deliver a powerful and united hospital message to Congress on issues that are vital to the health and well-being of the patients and communities you serve. Thank you for your continued commitment and concern.