National Alliance of Safety-Net Hospitals

August 26, 2021

The Honorable Richard Neal
Chair, Ways and Means Committee
United States House of Representatives
Washington DC 20515

The Honorable Kevin Brady
Ranking Member, Ways and Means Committee
United States House of Representatives
Washington DC 20515

The Honorable Frank Pallone
Chair, Energy and Commerce Committee
United States House of Representatives
Washington DC 20515

The Honorable Cathy McMorris Rodgers
Ranking Member, Energy and Commerce Committee
United States House of Representatives
Washington DC 20515

The Honorable Ron Wyden
Chair, Finance Committee
United States Senate
Washington DC 20510

The Honorable Mike Crapo
Ranking Member, Finance Committee
United States Senate
Washington DC 20510

The Honorable Patty Murray
Chair, Health, Education, Labor, and Pensions Committee
United States Senate
Washington DC 20510

The Honorable Richard Burr
Ranking Member, Health, Education, Labor, and Pensions Committee
United States Senate
Washington DC 20510

To the Leaders of the House Committees on Ways and Means and Energy and Commerce and the Senate Committees on Finance and Health, Education, Labor, and Pension:

I am writing on behalf of the National Alliance of Safety-Net Hospitals, an association of private community safety-net hospitals that serve economically disadvantaged and underserved communities, about two budget-related matters currently before Congress: the future of Medicare payment sequestration and budget reconciliation.

Medicare payments to hospitals have been subject to an annual deduction of two percent since 2013, as required by the Budget Control Act of 2011. This has been widely acknowledged to pose a hardship for many hospitals, and especially for community safety-net hospitals – so much so, in fact, that Congress has twice suspended this sequestration since the beginning of the current public health emergency. That moratorium ends at the beginning of 2022.

Because of increased federal spending as a result of passage of the American Rescue Plan, PAYGO will require this Medicare sequestration to triple beginning next year, reducing Medicare payments to providers by an enormous six percent.

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A cut of such size could threaten the financial viability of many community safety-net hospitals. These hospitals are currently treating growing numbers of high-acuity COVID-19 patients who need more care than the typical hospital patient at the same time that they struggle with significant shortages of qualified health care staff and face enormous increases in staffing costs when they do manage to find the health care workers they need. While hospitals that serve large numbers of privately insured patients have the financial reserves to help with these costs, community safety-net hospitals, which serve primarily Medicare and Medicaid patients, do not. They have little in the way of financial reserves to draw from in a time of crisis, they are already in crisis, and tripling the Medicare sequester would only make a bad situation worse.

Ideally we would like the current moratorium on the Medicare sequester to continue for the duration of the public health emergency, but at the least, NASH hopes you will ensure that the tripling of this sequester never takes effect. Such an increase would be a devastating blow to community safety-net hospitals across the country – and, more important, to the medically vulnerable communities these hospitals serve.

The challenge posed by Medicare sequestration arises again in the context of budget reconciliation and efforts to find budget savings to offset new federal spending priorities. We recognize that Congress will need to look for savings, but when you do, we hope, that your decisions account for the challenges community safety-net hospitals face: larger numbers of critically ill patients, less revenue from non-emergency procedures as COVID-19 patients essentially take over hospitals, and unprecedented increases in hospital personnel costs. Now is not the time to deliver a potentially crippling financial blow to community safety-net hospitals that serve especially large numbers of diverse Medicare and Medicaid patients who reside in economically disadvantaged and underserved communities.

We urge you to protect the ability of community safety-net hospitals, which lack the financial resources of many other hospitals, to continue to serve their vulnerable communities and to increase equitable health care delivery in the U.S.

We appreciate your consideration of this request and welcome any questions you may have about the views we have presented.

Sincerely,

Ellen Kugler, Esq.
Executive Director

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