



**Eliminate the Additional 4% Medicare Sequestration
Scheduled to Take Effect Next Year and
Protect Access to Health Care**

July 15, 2022

The Honorable Charles E. Schumer
Leader
United States Senate
Washington DC 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington DC 20515

Dear Leader Schumer and Speaker Pelosi:

I am writing on behalf of the Alliance of Safety-Net Hospitals, a group of private community safety-net hospitals that serve economically disadvantaged and underserved communities, to ask you to work during the upcoming budget reconciliation deliberations to ensure adequate access to health care by waiving the PAYGO rules that will result in an additional four percent Medicare sequestration that is currently scheduled to take effect next January 1 and by extending the American Rescue Plan subsidies that are currently helping more than 10 million Americans purchase health insurance.

Medicare payments to hospitals have been subject to sequestration – a two percent reduction of Medicare payments to hospitals – for nearly a decade. This has long posed a hardship for hospitals, and especially for hospitals that serve large numbers of publicly insured (Medicare and Medicaid) patients. Congress helpfully suspended sequestration when the current public health emergency began and suspended it again late last year, but only partly: the original two percent sequestration resumed on the first of this month but a new, additional four percent sequestration, established to offset new federal spending associated with the American Rescue Plan, is now scheduled to take effect next January 1.

Such a cut – essentially, a cumulative six percent reduction of all Medicare payments to community safety-net hospitals at a time when the number of uninsured individuals will suddenly and dramatically increase unless Congress extends the American Rescue Plan subsidies – could be devastating. These safety-net hospitals, with their limited base of privately insured patients, are already suffering financially as a result of a destructive combination of exploding labor costs, inflation, and supply chain challenges. While press reports occasionally tell of hospitals and health systems that have thrived during the pandemic, that is certainly not the case for community safety-net hospitals. With limited financial reserves to fall back on and mostly publicly insured patients under their care, many of these providers find themselves having to make difficult economic choices as they strive to continue serving their communities.

No less important than the implications for the hospitals are those for the communities these hospitals serve. Those communities consist of especially large numbers of low-income, Medicaid-covered, and



uninsured patients. Historically, many of these medically vulnerable patients have had limited access to care, and ensuring continued access to a broad range of services is almost always one of the biggest challenges safety-net hospitals face when they find themselves struggling to navigate serious financial challenges. If we are to make any kind of meaningful effort to address health equity we need to make sure that the hospitals that play the biggest part in serving the medically vulnerable receive the resources they need to continue playing their vital role in providing equitable access to quality care. An additional four percent sequestration would jeopardize that.

That additional four percent cut to Medicare payments is scheduled to take effect at the same time the American Rescue Plan subsidies are set to expire. Unless Congress extends those subsidies, more than 10 million people will see their health insurance costs increase significantly and another three million are expected to become uninsured. Community safety-net hospitals are the very hospitals that care for most low-income individuals, and they typically do so regardless of a patient's ability to pay. These mission-driven hospitals will continue to care for these newly under-insured and uninsured patients and will be doubly harmed by the increase in uninsured and reduced Medicare payments. Compounding this challenge is the expected end of continuous Medicaid eligibility without eligibility redetermination, which is expected to remove between five and twelve million people from the Medicaid rolls, many of whom will almost certainly join the ranks of the uninsured.

For these reasons, the Alliance of Safety-Net Hospitals urges you to put waiving the PAYGO rules that will require the additional four percent Medicare sequestration and extending the American Rescue Plan subsidies for health insurance premiums on your list of policy priorities as the budget reconciliation process continues. At a time when we are all working together to ensure access to care and address health equity challenges, now is not a time to act in ways that detract from such efforts.

We appreciate your consideration of our request and invite any questions you may have about our views on this issue.

Sincerely,



Ellen J. Kugler
Executive Director