



The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

March 19, 2014

Dear Sens. Reid and McConnell:

We understand that the Senate is likely to take up legislation – S. 2110 – to repeal and replace the Medicare Sustainable Growth Rate (SGR) formula in the coming weeks. America's Essential Hospitals, which represents more than 200 hospitals and health systems defined by their mission to care for all patients, particularly the most vulnerable, supports moving forward with this bill.

Members of America's Essential Hospitals have been leaders in employing physicians to practice in their hospitals and outpatient clinics. As such, our hospitals and patients are directly affected by the broken SGR formula. We believe that the ongoing bipartisan effort in Congress to repeal and replace the SGR represents the best opportunity to finally fix a problem that has plagued the health care industry for more than a decade. We are deeply concerned that if Congress misses this opportunity to replace the SGR, the broken system will persist, further damaging access to health care for vulnerable patients for the foreseeable future.

We support the ongoing effort for several reasons:

- Both House and Senate legislation repeals the SGR and replaces it with a sensible payment system that has been developed in a bipartisan fashion and which seeks to provide opportunity for alternative payment models that may reduce costs in the long run
- The Senate bill includes vital extenders of health policies that are critical to ensuring access to care for low-income patients, including the Qualified Individual program, Transitional Medical Assistance and Medicaid "Express Lane" Eligibility.
- The Senate bill also mandates an annual report on Medicaid Disproportionate Share Hospital (DSH) payments. This report will provide policy makers with critical information regarding the need for and best targeting of DSH payments in the future.
- Finally, the Senate bill does not make cuts to hospitals that would damage our ability to provide health care to our patients.

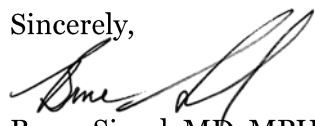
As currently drafted, S. 2110 does not have a fiscal offset. America's Essential Hospitals does not have a position on whether a repeal of the SGR should be offset. If Congress chooses to pay for the legislation, however, we would strongly oppose any offsets that damage access to and quality of care for low-income patients, including any cuts to hospital reimbursement and other programs

designed to help low-income beneficiaries. Since 2010, federal spending in the hospital industry has been cut by more than \$115 billion. In 2012, essential hospitals reported an average financial margin of less than 1 percent and nearly half of our hospitals lost money. Truly, any further cuts to hospital reimbursement will damage the ability of our hospitals to fulfill our missions of providing high quality care to all patients.

America's Essential Hospitals recognizes that differences remain between the House and Senate on a final SGR replacement, particularly with regard to how to offset the legislation. We strongly urge the Senate to pass S. 2110 to allow chamber leaders and/or conferees to discuss this issue directly.

America's Essential Hospitals applauds your hard work on bringing a repeal and replacement of the SGR this far. Please let us know how we can be of service to you in getting this effort to its ultimate conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bruce Siegel', written in a cursive style.

Bruce Siegel, MD, MPH
President and CEO

cc: Sen. Ron Wyden, Chair, Committee on Finance
Sen. Orrin Hatch, Ranking Republican, Committee on Finance