

United States Senate

WASHINGTON, DC 20510

August 22, 2013

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Senate Dirksen Office Building
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Senate Finance Committee
219 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Hatch:

We are writing to express concerns regarding cuts in the President's Fiscal Year 2014 budget aimed at critical access hospitals (CAHs). CAHs play a vital role providing access to health care, economic security for families and seniors, and jobs to rural communities across the nation. These hospitals are safety nets for hundreds of thousands of Americans, providing inpatient and outpatient services, as well as 24-hour emergency care. CAHs make it possible for patients with complex medical needs to remain at home in rural communities.

Importantly, these hospitals also serve as local economic engines. A typical CAH has 141 employees and generates \$6.8 million in wages. For every job at a CAH, these hospitals create an additional .38 jobs in their community—generating an added \$1.6 million in economic impact. Given the importance of CAHs throughout rural America, it is essential that these hospitals receive proper Medicare reimbursement.

Unfortunately, the President's budget seeks to reduce CAHs' Medicare reimbursement levels and eliminate the designation affording cost-based payment for facilities within 10 miles of another hospital. Rural hospitals have already experienced significant Medicare reimbursement cuts recently. Enacting the President's proposals would be further detrimental to CAHs throughout the country—impeding their ability to provide high-quality care.

A particularly troubling part of the budget proposal is the elimination of CAH status for those CAHs within 10 miles of another hospital. A recently released report by the Department of Health and Human Services Office of the Inspector General (OIG) reiterates the proposal to decertify all CAHs within a certain number of miles from the nearest hospital. The OIG recommends that the Centers for Medicare & Medicaid Services (CMS) seek legislative authority to revise the CAH conditions of participation. Notwithstanding the OIG report, the selection of 10 miles – as opposed to 5, 15, or 20 – seems arbitrary and does not consider the implications for access to health care in the communities served by these hospitals. For example, at least one of the affected CAHs could lose its status because it is in close proximity to a state-

run psychiatric hospital and a small physician-owned specialty hospital that primarily provides neurological services. Neither of these nearby hospitals have emergency capabilities, obstetrics or other services vital to the community. Under the proposal, a CAH would lose its status if it is within 10 miles of *any* hospital, regardless of whether the nearby hospital is capable of providing the services that would be lost if the CAH closed. These facilities were originally determined to be CAHs based on the recommendation of their own states, with concurrence from CMS. According to the OIG, there are 71 of these “10-Mile CAHs,” all of which would be devastated by this change. If, as the OIG recommends, Congress were to eliminate the CAH designation for any hospital that was state-approved as a Necessary Provider, 836 CAHs would be affected. Moreover, the proposal could have unintended consequences for other health care facilities, including Sole Community Hospitals.

We strongly support smart, targeted Medicare reforms that will reduce costs and maintain high quality of care. This proposal does not qualify. The estimated savings from the CAH 10-mile designation are about one-hundredth of one-percent of 10-year Medicare spending. Additionally, we think these savings are overstated because many patients will likely be redirected to expensive tertiary hospitals whose disproportionate share hospital and indirect medical education adjustments will limit government savings.


As your committee considers changes to Medicare policy, we believe that indiscriminate cuts to CAHs are not the answer. This is particularly true concerning the elimination of the CAH designation to hospitals based on an arbitrary number of miles between facilities.

Thank you for your consideration of this request. Please do not hesitate to contact us if you have any questions or would like additional information.

Sincerely,



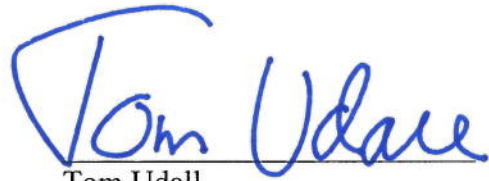
Tammy Baldwin
United States Senator



Mike Crapo
United States Senator



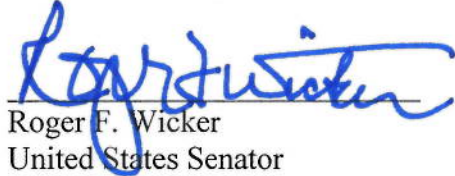
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