Congress of the United States
Washington, DC 20515

March 9, 2007

The Honorable John Spratt
Chairman
House Budget Committee
309 Cannon House Office Building
Washington, DC 20515

The Honorable Paul Ryan
Ranking Member
House Budget Committee
B-71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt and Ranking Member Ryan:

We are writing to express our support for including provisions in the FY08 Budget Resolution to strengthen the Medicare program for seniors and protect access to hospital care for Medicaid beneficiaries.

Specifically, we urge the Committee to demonstrate its commitment to the Medicare and Medicaid programs and the seniors, disabled and children served by those programs, by opposing hospital cuts in the FY08 Budget Resolution. The nation's full service community hospitals, which serve as the health care safety net for so many vulnerable citizens, are under large and growing cost pressures. Rising numbers of uninsured, new and costly pharmaceuticals and technologies, labor shortages, and preparing for pandemics and terrorist threats are just some of the many pressures hospitals face and which our communities expect hospitals to address.

And yet, Federal payments are not keeping pace with the costs of responding to these challenges. Earlier this month, Congress' independent, nonpartisan Medicare Payment Advisory Commission (MedPAC) reported that Medicare payments are falling further and further below the minimal costs of care for our seniors. MedPAC estimates Medicare hospital operating margins of negative 3.1 percent in 2005 and projects that those margins will fall to negative 5.4 percent in 2007, the lowest Medicare margins recorded. This trend is simply unsustainable, and it is unacceptable. In response, MedPAC voted to recommend to Congress that hospitals receive a full inflation update in 2008. We hope you will agree with MedPAC and both include an inflation update for hospitals, and refrain from recommending any cuts in hospital spending in Medicare or in Medicaid, which has even lower operating margins.

We appreciate your consideration and look forward to working with you to achieve this goal.

Sincerely,

RICHARD E. NEAL

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