

# Federal Legislative Update

Shannon Strickler

Vice President of Federal and State  
Relations



IOWA HOSPITAL  
ASSOCIATION

100 EAST GRAND, SUITE 100 | DES MOINES, IA 50309 | PHN 515.288.1955 FAX 515.283.9366

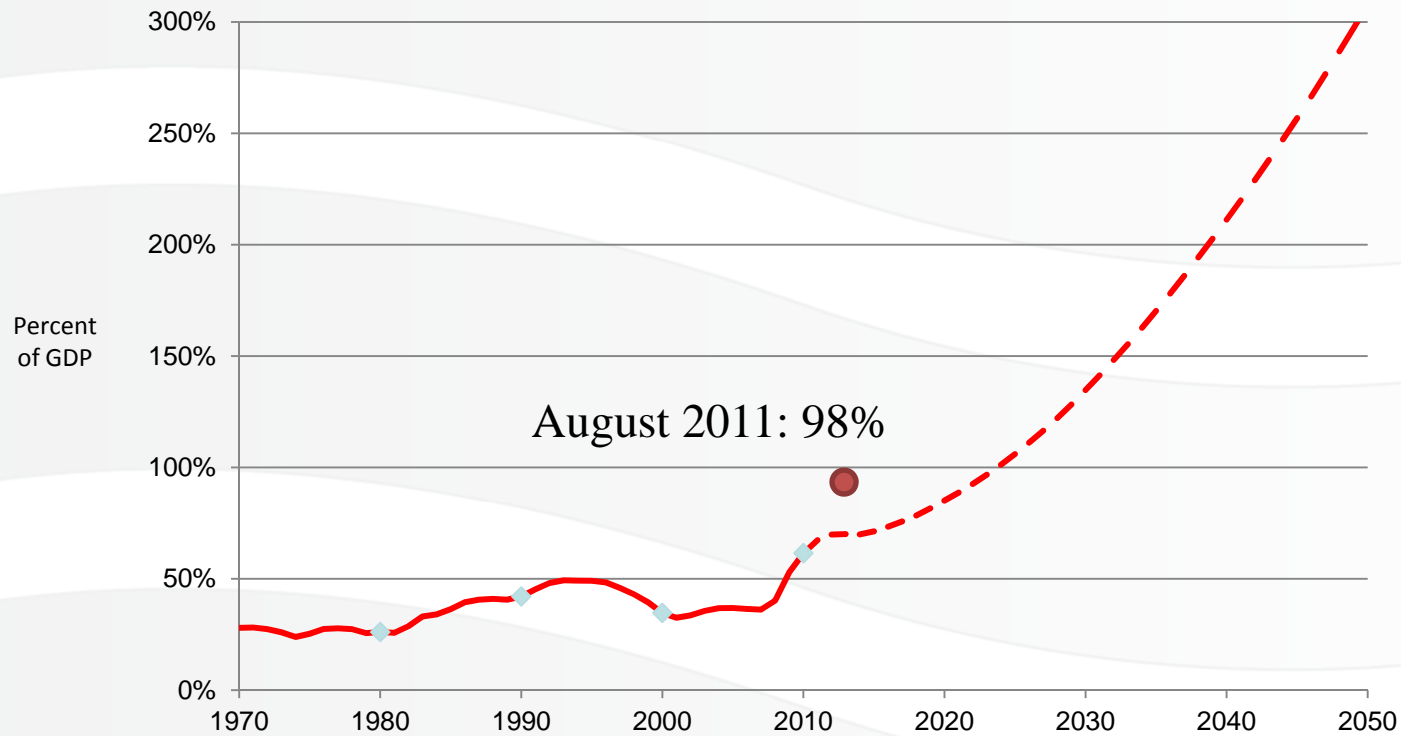
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# Fall Congressional Focus

- United States' Finances
  - National Debt
  - FFY 2012 Budget



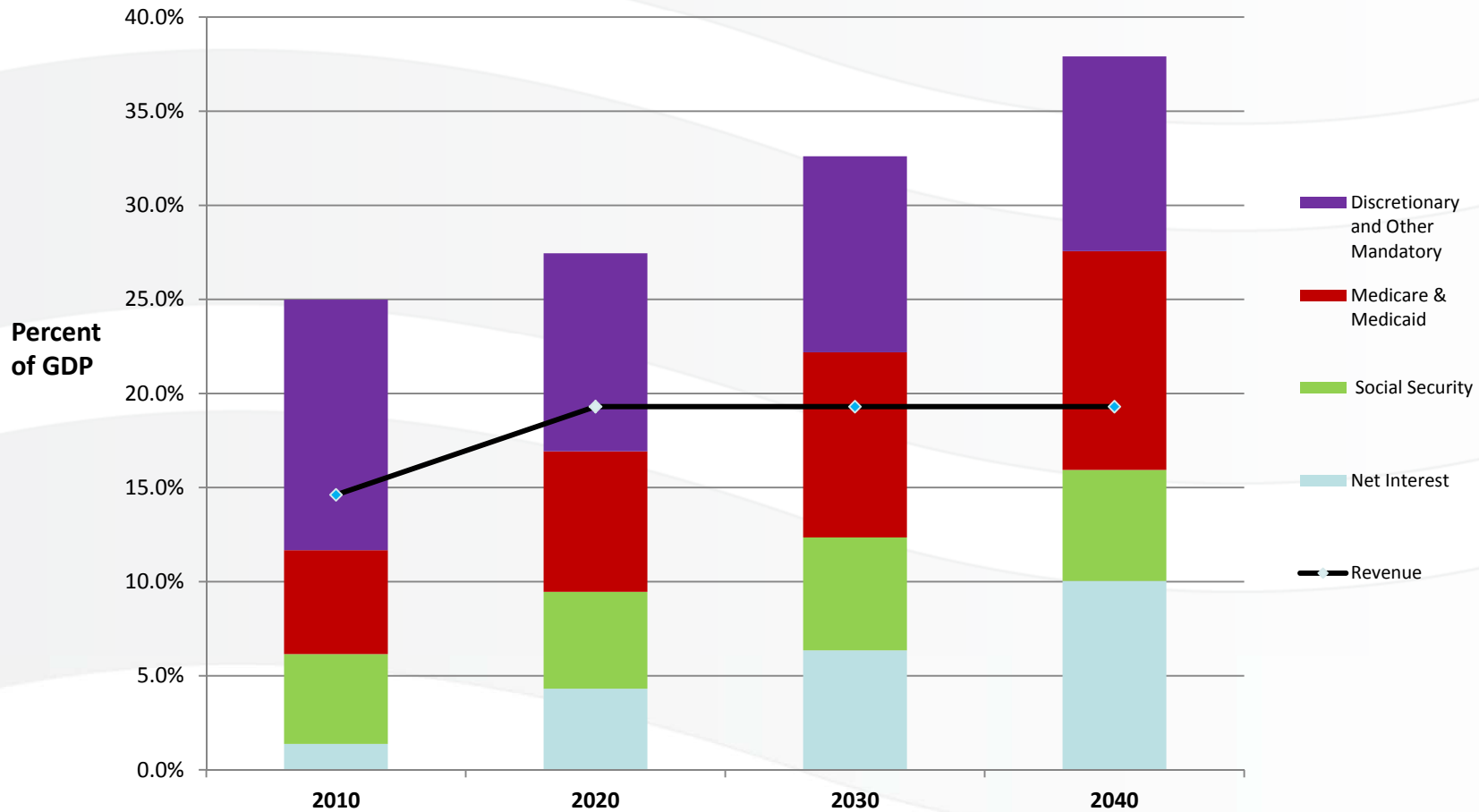
# Federal Deficit Projections



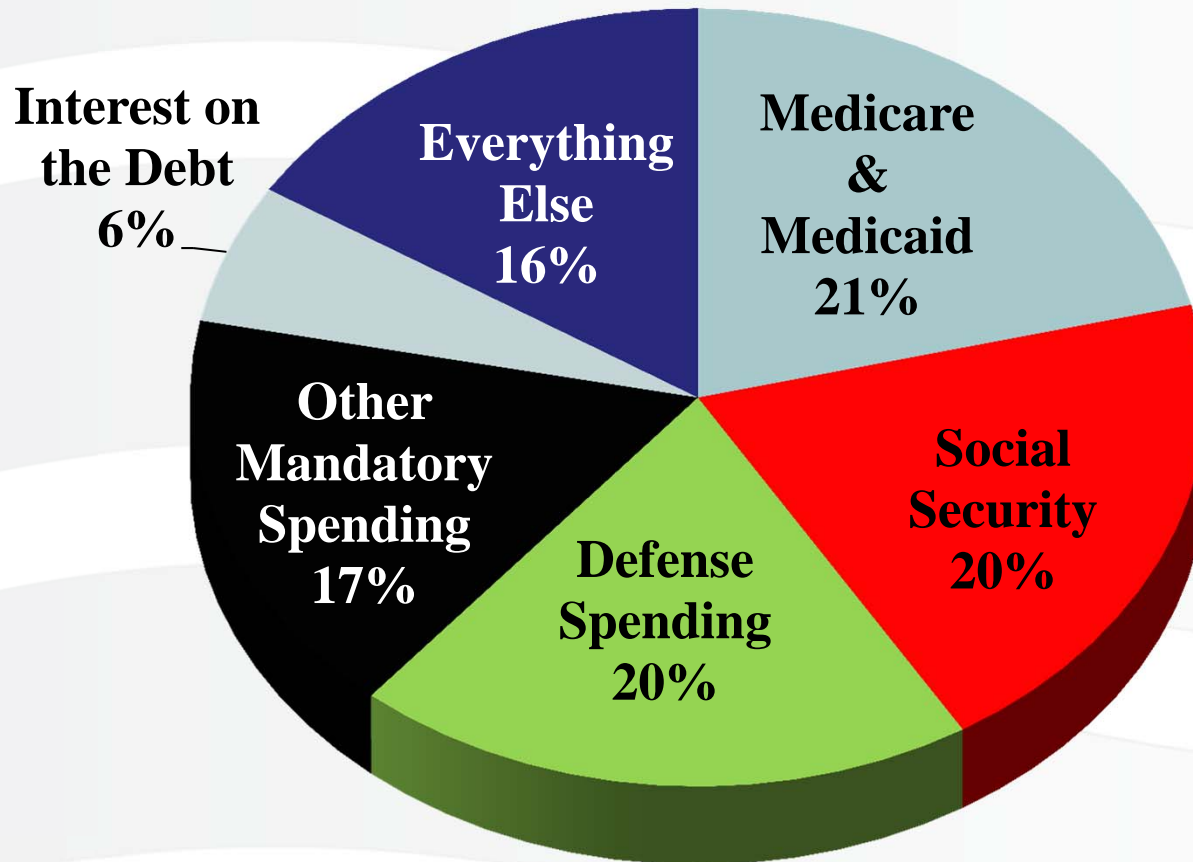
Source: CBO "Alternative Fiscal Scenario" constructed from the August 2010 Budget and Economic Outlook, additionally assuming that troops in Iraq and Afghanistan are reduced to 30,000 by 2013.

U.S. Debt at highest Debt to GDP ratio since shortly after WWII

# Revenues Completely Consumed by Major Entitlements and Interest by 2025



# The Federal Budget in FY 2010

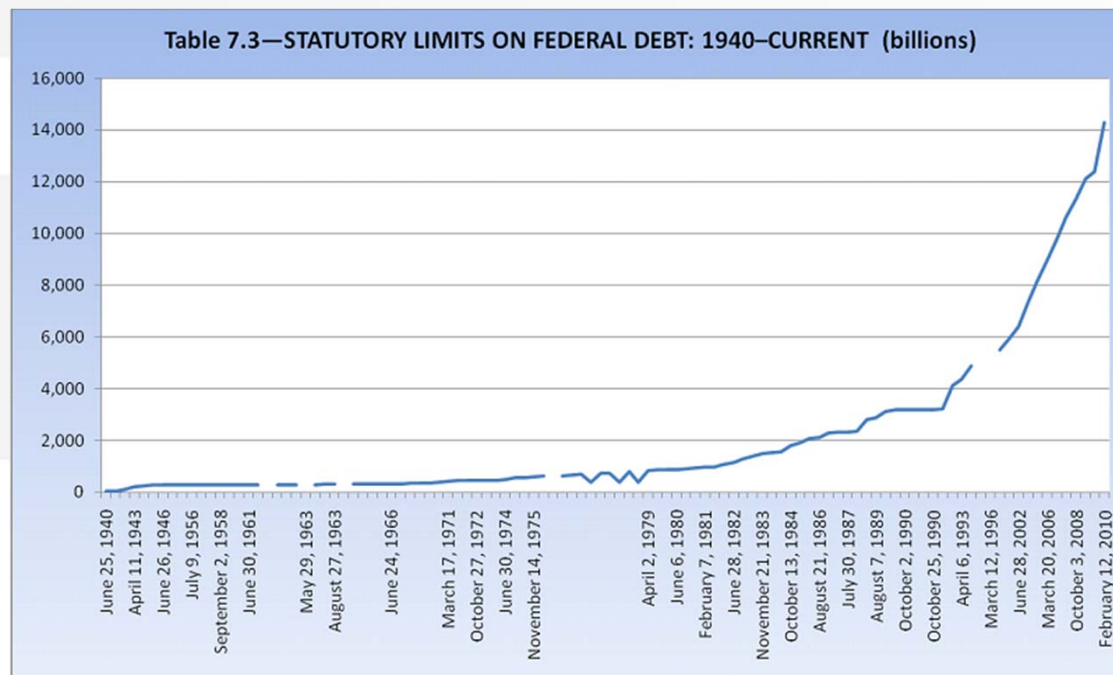


- All domestic discretionary programs that are funded annually (including education, veterans' health care, homeland security, law enforcement, etc.) make up only 16% of federal spending.

- There is no feasible way to tackle our budget problem without making difficult choices regarding Medicare & Medicaid, defense, Social Security, and revenues.

# Debt Ceiling

- The debt ceiling is a statutorily imposed spending limit. Congress cannot legally borrow more than the limited amount.
- Routinely increased 30+ times in last 60 years.



# Debt/Deficit Reduction Stalemate

- Debt Ceiling as “political tool”
- Disagreement remained until deadline almost expired
- Debt Agreement:
  - Increase Debt Ceiling by \$900 billion
  - Cuts \$917 billion over 10 years (no impact to Medicare and Medicaid)
  - Creates Super Committee with deficit reduction charge and provides “back up” plan

# “Super Committee”

- Creates 12 member committee to recommend an additional \$1.5 trillion in cuts by November 23.
- Congress must approve committee’s recommendations by December 23.

# Debt Reduction “Back-up” Plan

- If the Super Committee or Congress fails to meet the requirements of the legislation, triggers ATB reduction of \$1.2 trillion beginning in 2013
  - Impact both mandatory and discretionary spending
  - Equally distributed between domestic and defense
  - Insulates Medicare beneficiaries, Social Security, and Medicaid from cuts

# Hospital Impact

“Super Committee” could recommend major cuts to hospitals. Possible cuts include:

- Elimination of Medicare bad debt payments to hospitals
- Reduction or elimination of graduate medical education and indirect medical education payments to hospitals.
- “Reforms” to rural hospitals programs – “tweener” hospitals; Critical Access Hospitals; other rural payment enhancements (non-specific in Congressional proposals).
- Medicaid cuts

# Hospital Impact

If Committee or Congress fails, then the ATB cut \$1.2 T will impact Medicare provider payments.

- Medicare provider rates will be cut by 2%
- \$200 billion cut to hospital payments
- 2% cut will apply to CAHs after cost-settlement
- Medicaid exempt from the ATB

# Complicating Factors

- **September 30 – U.S. budget resolution expires.**
  - Recall near government shutdown in April over budget
  - Deficit reduction deal set FY2012 budget target
- **Medicare physician payment fix.** Congress must act by January 1 to avert a 30% cut to physician payments.
  - Very costly (approx \$300 billion ~ 10 yrs).

# Action Needed:

- Contact Congressional Delegation:
  - Oppose hospital cuts
  - Support engagement and leadership on bi-partisan solutions to deficit reduction

