



Charles N. Kahn III
President and CEO

August 31, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader Schumer, Minority Leader McConnell, and Minority Leader McCarthy:

First and foremost, thank you for your unwavering support of frontline health care providers since the beginning of the COVID-19 pandemic. With the emergence and rapid spread of the Delta variant, the pandemic continues to challenge hospitals, some of which find themselves on the brink. The months ahead will continue to present significant obstacles for both health care providers and the patients they serve. **On behalf of the Federation of American Hospitals (FAH), we urge Congress to waive the statutory Pay-As-You-Go (PAYGO) implications resulting from the enactment of the *American Rescue Plan Act of 2021 (ARPA)*, and to do so in the next government funding package. Failure to act on PAYGO before year end will result in a mandatory cut in Medicare spending of four percentage points, which is simply unsustainable for hospitals and health care providers still battling COVID-19.**

The FAH is the national representative of more than 1,000 leading tax-paying hospitals and health systems throughout the United States. FAH members provide patients and communities with access to high-quality, affordable care in both urban and rural areas across 46 states, plus Washington, D.C and Puerto Rico. Our members include teaching, acute, inpatient rehabilitation, behavioral health, and long-term care hospitals and provide a wide range of inpatient, ambulatory, post-acute, emergency, children's, and cancer services.

Earlier this year, the Congressional Budget Office (CBO) released an estimate regarding the statutory PAYGO implications related to the *ARPA*'s enactment. Unless Congress acts with legislation to waive the bill's effects on the Office of Management and Budget (OMB) scorecard, a sequestration order will be issued to reduce spending in fiscal year 2022 by \$381 billion – including a reduction in Medicare spending by four percentage points (***or an estimated \$36 billion for that year***).¹ Such extreme cuts would have a long-lasting and devastating impact on health care providers and patients alike, which is unconscionable amid a public health crisis.

Congress must waive the harmful PAYGO provisions triggered by the *ARPA*. Given that government funding is set to expire on September 30, 2021, an ample opportunity presents itself for Congress to also prevent this significant amount in Medicare cuts (~\$36 billion for this year alone).

The current moratorium authorized by *The Coronavirus Aid, Relief, and Economic Security (CARES) Act* and subsequent legislation on Medicare's two percent sequestration reduction expires December 31, 2021. Neglecting to waive statutory PAYGO would impose an additional four percent cut to Medicare payments in 2022 for a total six percent Medicare payment reduction to hospitals and other providers. This will be detrimental to health care providers as they face the unrelenting surge in COVID-19 cases and hospitalizations due to the Delta variant as well as the potential spread of new COVID variants, stagnation in vaccine uptake, breakthrough cases among vaccinated populations, and an unpredictable fall and winter season.

Thank you for your prompt attention to this important matter.

If you have any questions or wish to speak further, please do not hesitate to reach out to me or a member of my staff at 202-624-1534.

Sincerely,



¹ <https://www.cbo.gov/system/files/2021-02/57030-McCarthy.pdf>