

**United States Senate**  
WASHINGTON, DC 20510

July 25, 2003

The Honorable Thomas A. Scully  
Administrator  
Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, DC 20201

Dear Administrator Scully:

We are writing to urge you to lower the Medicare inpatient outlier threshold for Fiscal Year 2004 from the excessively high amount of \$50,645 as set forth in the CMS proposed inpatient PPS rule published on May 19 of this year. The \$50,645 threshold represents a nearly 50 percent increase over FY 2003 and could have a devastating impact on hospitals across America.

Outlier payments are a critical and necessary part of any prospective payment system. When a hospital cares for an unusually complex and costly patient, the outlier payment reimburses the hospital for at least a portion of the difference between the PPS payment and the actual cost to provide care. Drastically limiting the use of outlier payments by significantly increasing the threshold could result in significant losses for our nation's hospitals and restrict Medicare beneficiaries' access to care.

We support the changes that CMS has made to the outlier process and believe that these changes will more accurately identify when patient care qualifies as an outlier payment and the level of reimbursement for those patients. These changes include using the most recent cost report to determine a hospital's cost-to-charge ratio (CCR); using a hospital's actual CCR, rather than a statewide average; and allowing Medicare Fiscal Intermediaries to reconcile certain outlier payments upon final settlement of cost reports. However, with the release of the new rule, the stopgap measure of drastically increasing the threshold no longer is necessary.

We are concerned that CMS intends to maintain the outlier threshold at \$50,645, the amount specified in the June interim PPS hospital inpatient rule. Now that CMS has instituted the new outlier rule, we believe the threshold should be lowered to a more

appropriate level between \$25,000-\$30,000. Exposing hospitals across the country to dramatic losses on high cost patient care by denying them access to outlier payments could serve to limit beneficiary access to care.

We urge you to correct this policy by establishing a more reasonable outlier threshold in your final inpatient prospective payment rule to be published on August 1.

Sincerely,

John A. ...  
Ed Chafe

C. H. Sitt

Susan Collins  
Art Bond

ted Kenedy

John ...

John McLean

Mr. ...

Mark Payne

John F. ...

Byron L. ...

Jeanne ...

Kent ...

Russell S. Feingold

Charles ...

John Edwards

Patrick Leahy

Hillary Rodham Clinton

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Robert F. Bennett

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