American Hospital Association

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March 29, 2007

Leslie Norwalk
Acting Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W., Room 445-G
Washington, DC 20201

RE: Area Wage Index for Section 508 Hospitals beginning April 1, 2007

Dear Ms. Norwalk:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, and our 37,000 individual members, we are writing to express our deep concern over CMS' March 23rd notice announcing its plan for implementing Section 106 of Tax Relief and Health Care Act of 2006 (TRHCA). **Your urgent attention to correct the area wage index for certain Section 508 hospitals is required.**

Section 508 of the *Medicare Modernization Act* (MMA) provided $900 million over three years for a one-time geographic reclassification opportunity, which expires tomorrow, March 31, 2007. In Section 106 the TRHCA, Congress extended the special reclassification through September 30, 2007. In doing so, the law authorized special funding to cover this provision so that Section 508 hospitals would continue to receive inpatient payments at the October 1, 2006 rate and that no other hospitals would be affected by the reclassification.

However, CMS' notice implementing this provision included lower wage indexes for 35 Section 508 hospitals. These lower wage indexes would translate into nearly $10 million in Medicare payment reductions. CMS' implementation of Section 106 does not meet the Congressional letter or intent of the law. This error must be corrected to ensure that all hospitals are paid using the appropriate reclassified wage indexes.

If you have any questions, please feel free to contact Danielle Lloyd, senior associate director for policy, at (202) 626-2340 or dlloyd@aha.org.

Sincerely,

Rick Pollack
Executive Vice President