

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

THOMAS J. DONOHUE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

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June 28, 2007

The Honorable Michael Leavitt
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Leavitt:

On behalf of the U.S. Chamber of Commerce, the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region, I write to express our opposition to two provisions in the Centers for Medicare and Medicaid Services' (CMS) proposed regulation dealing with the Hospital Inpatient Prospective Payment System (IPPS).

The first provision would cut by 2.4 percent all Medicare-related, operating and capital inpatient payments in FY2008 and FY2009. This proposal would result in a nearly \$25 billion cut over the next five years. The second proposal would reduce payments to hospitals in urban areas for capital-related costs for inpatient hospital services, cutting payments by another \$1 billion over five years.

CMS, while not required to do so, is opting to impose burdensome cuts based upon a flawed assumption that hospitals will alter coding practices (to the hospital's benefit) in response to the new coding system. The net effect of the above "behavioral offset" as well as the additional cuts to urban hospitals is to restrict beneficiary access -including the nation's poorest populations- to needed hospital services.

Moreover, payment reductions like these in public programs will increase costs in the private sector. Hospitals could shift more of the cost burden to the private sector, increasing the cost of private health insurance. This will only further frustrate businesses' ability to offer coverage to their employees. Private coverage needs to be more affordable, not more expensive.

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Furthermore, basic fairness argues against imposing a behavioral offset in the IPPS regulation. There is no precedent in other payment systems for making a behavioral offset absent evidence of actual changes in coding.

The capital-related payment changes will adversely impact hospitals' ability to afford long-term capital investments. This means that hospitals will have difficulty in acquiring newer, advanced medical technology, and enhanced health information systems that can improve health care outcomes, reduce errors, and ultimately lower the cost of health care through better coordination – particularly for those who suffer from chronic diseases. Like many businesses, hospitals make long-term commitments to capital acquisitions. The Chamber is concerned that action that may hinder a hospital's financial obligations to maintain and improve their physical facilities for patients.

Recently, more than half of the Senate and the House sent letters to the acting CMS Administrator expressing their objection to both of these provisions. The Chamber is pleased to join with this majority of the Congress in opposing these provisions. Again, the Chamber urges you to eliminate both provisions when the final IPPS regulation is published in coming months.

Sincerely,


Thomas J. Donohue