



July 11, 2007

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

Dear Secretary Leavitt:

On behalf of the members of the Arizona Chamber of Commerce and Industry, I am writing 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 is an across-the-board 2.4 percent cut in all Medicare-related operating and capital inpatient payments in FY 2008 and FY 2009. This "behavioral offset" assumes that hospitals will alter their coding practices as a result of new diagnosis-related coding changes that CMS is adding. The second provision would reduce payments to hospitals in urban areas for capital-related costs for inpatient hospital services.

Together, these two provisions will cut Medicare payments to hospitals nationwide by a total of \$25 billion over five years. In Arizona, the proposed rules will cut payments by \$41.6 million in FY 2008 and \$378.3 million over five years.

The Arizona Chamber represents the broad business community throughout the state of Arizona. We are extremely concerned that these cuts will result in cost shifting to the private sector. Arizona employers are already facing escalating health insurance costs, which are driving up the overall cost of doing business. The proposed rules are a step in the wrong direction. We respectfully encourage you to eliminate both provisions when the final IPPS regulation is published.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Hamer", is written over a circular stamp or seal that is partially obscured by the signature.

Glenn Hamer
President and CEO

cc: Jeff Flick, Regional Administrator, CMS