



July 12, 2007

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 Pennsylvania Chamber of Business and Industry, the state's largest broad-based business advocacy organization representing more than 24,000 members and customers, I write to express our concern with two provisions in the Centers for Medicare and Medicaid Services' (CMS) recently proposed rule regarding inpatient prospective payment system (IPPS).

The first provision would cut Medicare-related operating and capital inpatient payments by 2.4 percent for fiscal years 2008 and 2009. This is essentially a cut of about \$24 billion in payment for hospital services over the next five years, primarily based on the misguided premise of a "behavioral offset." CMS proposed this cut to eliminate what the agency inaccurately claims will be the effect of greater use of coding as hospitals move to a new coding system. This is an unfair cut based on no documentation.

The second proposal would reduce payments to hospitals in urban areas for capital-related costs for inpatient services, which is another cut of \$1 billion over five years. At the local level, these two provisions could mean the loss of jobs, local income and much needed hospital services in our communities. The impact of these cuts means that our local hospitals may not be able to afford long-term capital investments. In turn, the hospitals will face severe financial pressures and will have difficulty acquiring newer advanced medical technology and enhanced health information systems that can improve health outcomes, reduce errors and ultimately lower the cost of health care through better coordination.

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.

More than half of the Senate and House recently sent letters to Acting CMS Administrator Leslie Norwalk expressing their strong objection to these provisions. We join with these elected officials and add our voice to the call to eliminate both provisions when the final IPPS regulation is published.

Sincerely,

Floyd Warner
President