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Office of the Governor

July 10, 2007

Mr. Josh Bolten, Chief of Staff
White House
Fax 202-456-0192

Dear Mr. Bolten:

We, in the State of Nevada, are alarmed at two provisions in the Centers for Medicare and Medicaid Services' (CMS) recently proposed Inpatient Prospective Payment System (IPPS) rule. The IPPS final rule will be issued within the next 30 days.

The first provision would cut Medicare-related operating and capital inpatient payments by 2.4% for fiscal years 2008-2009. 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 offset of greater use of coding as hospitals move to a new coding system. There is no documentation to support this assumption.

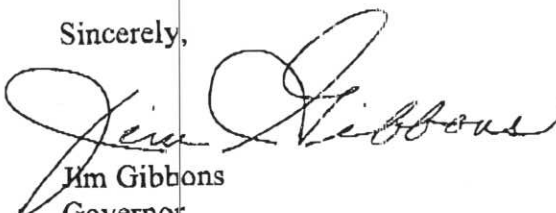
The second proposal would reduce payments to hospitals in urban areas for capital-related costs for inpatient services- which is another cut of \$1 billion over five years. At the local level, these two provisions could mean the loss of jobs, local income and much needed hospital services for our community. 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.

These draconian backdoor reductions could jeopardize beneficiary access to critical hospital services and will stifle hospital investment in technology.

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

Sincerely,



Jim Gibbons
Governor

/dl

CC: Michael Leavitt, Secretary
Department of Health and Human Services
Fax 202-690-7203