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Russell L. Holman, MD
Nashville, TN

July 17, 2007

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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 Society of Hospital Medicine, I write to express our opposition to two provisions in the fiscal year 2008 Medicare inpatient prospective payment system proposed rule that together would cut Medicare payment for hospital services by nearly \$25 billion over five years.

The first provision would reduce hospital payments by 2.4 percent in 2008 and 2009 based on the flawed assumption that hospitals will adjust their coding practices to receive higher payments as a result of proposed changes in the payment system designed to account more fully for patients' severity of illness. This proposed "behavioral offset" will cut \$24 billion over five years from payments to hospitals.

The second proposal would reduce capital payments to hospitals in urban areas by nearly \$1 billion over the next five years.

SHM represents nearly 6,000 hospitalists—physicians whose primary professional focus is the general medical care of hospitalized patients. We are concerned that these two provisions would severely restrict beneficiary access to critical hospital services and urge you to eliminate them from the final regulation.

Sincerely,



Russell Holman, MD
President