

July 27, 2007

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

Dear Secretary Leavitt:

I am writing on behalf of the membership of the Arkansas State Chamber of Commerce and Associated Industries of Arkansas, Inc., to express concern about two recently proposed changes in the Centers for Medicare & Medicaid Services' (CMS) inpatient prospective payment system.

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 premise of a "behavioral offset." CMS proposed this cut to eliminate what the agency claims will be the effect of greater use of coding as hospitals move to a new coding system. Such a cut is unfair to our hospitals across Arkansas.

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 communities. The impact of these cuts could mean that our local hospitals may not be able to afford long-term capital investments. This could also cause the local hospitals to face severe financial pressures and 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.

The recently proposed cuts could jeopardize beneficiary access to critical hospital services and could stifle hospital investment in technology. On behalf of the Arkansas State Chamber/AIA members, I urge you to eliminate both provisions when the final IPPS regulation is published.

Sincerely,

Paul H. Harvel
President & CEO