July 30, 2007

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

Dear Secretary Leavitt,

I am writing on behalf of the Long Island Association (LIA), the largest business-related organization in New York concerning the proposed regulations promulgated by the Centers for Medicare and Medicaid Services (CMS) dealing with the Hospital Inpatient Prospective Payment System (IPPS).

By way of context, in addition to for-profit businesses, the LIA, whose members employ about two-thirds of Long Island's 1.2 million workers, also includes within its membership organized labor, hospitals, physicians, and health care providers. Our subsidiary, the LIA Health Alliance, was the first successful health insurance purchasing cooperative in the nation.

We understand the reasons why CMS is seeking to re-base the DRG system, in light of the 2005 MedPAC recommendation that DRG payments be better aligned with hospital DRG-specific costs. However, our view is that CMS's decision to prospectively decrease reimbursement rates by 2.4 percent is not based upon sound research and would unduly harm economically marginal hospitals at a time when this region cannot take that risk.

The factual basis for CMS's decision is questionable, as MedPAC's analysis has shown. MedPAC proposed a lower rate of reduction than CMS proposed, based in part on its concern that the CMS rate was not adequately supported by sound empirical evidence. For the same reason, we believe that CMS should make no reductions in reimbursement rates unless and until solid research shows that a reduction clearly is warranted. CMS is prepared to retroactively re-adjust based upon real data at a future time in any event; making the adjustment prospectively is akin to finding a defendant guilty before the crime is committed.

The CMS proposed reduction in the 3 percent capital adjustment for large urban hospitals will negatively affect all Long Island hospitals, even though many of them are struggling community hospitals that happen to be located in what is inaccurately

considered an urban area. While that reduction may serve a broad-based policy purpose nationally, its consequences locally will unduly harm health care in this area. Those reductions also should be reconsidered.

We ask that you take the views into account in considering whether to include these provisions in the final IPPS regulations.

Sincerely,

Matthew T. Crosson
President