



## Associated Industries of Missouri

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*The Voice of Missouri Business.*

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

July 20, 2007

Dear Secretary Leavitt:

Associated Industries of Missouri, an organization representing nearly 1,500 Missouri businesses of all sizes and over 300,000 employees would like to express concern about the effects of a proposed federal regulation reducing Medicare payments to hospitals. Two aspects of the proposed changes to the Inpatient Prospective Payment System are of concern.

First, the regulation would reduce Medicare hospital payments in anticipation of possible changes in coding by hospitals as they react to a more complicated Medicare payment system. This so-called "behavioral offset" cut is expected to trim hospital payments by \$24 billion over five years. Missouri's share is projected to be \$530 million over five years, with a first-year cost of \$57 million. We all want Medicare payments to be based on accurate billing information. However, it seems unfair to impose such a cut based on speculation as to what hospitals might do. Our concern is that this presumptive spending cut will simply be shifted to the private sector, further exacerbating the problems AIM members have in procuring affordable health coverage.

The proposed regulation also would cut payments to urban hospitals for their capital costs. While this spending reduction is smaller than the one just mentioned, it targets the ability of our hospitals to invest in their facilities and acquire the electronic information systems and other technology needed to make health care delivery more effective and efficient. The projected cost of this spending cut for Missouri is \$68 million over five years.

Earlier this year, a sizable majority of the U.S. House of Representatives and Senate signed letters to the Centers for Medicare and Medicaid Services agency expressing concern about these proposed spending cuts. In addition, as a signatory member of your Four Cornerstones Initiative, I fear this proposed reduction could potentially increase the instability of our system as we work for resolution to the current healthcare crisis. I encourage you to reconsider these proposed cuts as you make your final decisions regarding the new Medicare payment regulation.

Sincerely,

Gary Marble  
Associated Industries of Missouri

cc: Josh Bolten, White House Chief of Staff  
Sen. Bond  
Sen. McCaskill  
Congressman Akin  
Congressman Carnahan  
Congressman Emerson

Congressman Skelton  
Congressman Cleaver  
Congressman Graves  
Congressman Clay  
Congressman Blunt  
Congressman Hulshof