



Liberty Place, Suite 700  
325 Seventh Street, NW  
Washington, DC 20004-2802  
(202) 638-1100 Phone  
www.aha.org

November 20, 2007

Kerry Weems  
Administrator  
Centers for Medicare & Medicaid Services  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W., Room 445-G  
Washington, DC 20201

***RE: CMS-1533-FC, Medicare Program; Proposed Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2008 Rates; Proposed Rule (Vol. 72, No. 85), May 3, 2007***

Dear Mr. Weems:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, and our 37,000 individual members, the American Hospital Association (AHA) appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) final rule with comment for the fiscal year (FY) 2008 hospital inpatient prospective payment system (PPS).

CMS is required to pay for a portion of the capital-related costs of inpatient hospital services. These costs include depreciation, interest, taxes, insurance and similar expenses for new facilities, renovations, expensive clinical information systems and high-tech equipment (e.g., MRIs and CAT scanners). This is done through a separate inpatient capital PPS that adjusts payments by the same diagnosis-related group for each case, as is done under the operating PPS. Capital PPS payments include indirect medical education (IME) and disproportionate share hospital (DSH) adjustments similar to those made under the operating PPS. In addition, hospitals may receive outlier payments under the capital PPS for cases with unusually high costs.

While CMS did not adopt its proposal to eliminate the Medicare capital payment update for FY 2008 for urban hospitals, it did eliminate the 3 percent add-on to capital payments for hospitals in large urban areas – a \$600 million cut over the next five years. In addition, CMS finalized a new provision to phase out the IME adjustment to capital payments by reducing payments by 50 percent in FY 2009 and then providing no IME payments beginning in FY 2010.



Eliminating the IME adjustment from the capital PPS will reduce payments to teaching hospitals by \$1.3 billion over five years. The AHA opposes these unnecessary cuts to teaching hospitals, which rely on IME funding to help cover the costs of training our nation's future physicians. Medicare's capital payments, including the increased payment to cover the costs of IME, are vital to medical education, investment in the latest medical technology and ongoing maintenance and improvement of hospital facilities. We will continue to work with Congress to reverse these cuts.

**CMS has gone well beyond its charge by finalizing these arbitrary and unnecessary cuts in this FY 2008 rule. These backdoor budget cuts will further deplete scarce resources, ultimately making hospitals' mission of caring for patients even more challenging. We urge CMS to reverse course in the FY 2009 proposed and final inpatient PPS rules by removing the pending cuts to the IME adjustment to capital payments.**

If you have any questions, please feel free to contact me or Don May, vice president for policy, at (202) 626-2356 or [dmay@aha.org](mailto:dmay@aha.org).

Sincerely,

Rick Pollack  
Executive Vice President