July 16, 2010

Donald Berwick, MD
Administrator
Centers for Medicare and Medicaid Services
7500 Security Blvd
Baltimore, MD 21244

Dear Administrator Berwick:

We write to express our concerns regarding the proposed Medicare Inpatient Prospective Payment System (IPPS) regulation for Fiscal Year (FY) 2011. In this rule, the Centers for Medicare and Medicaid Services (CMS) proposes to apply a 2.9 percent cut to hospital payments to eliminate what CMS claims is the potential effect of coding changes. Before such a change goes into effect, we need to confirm that the appropriate and correct methodology has been adopted and that the proposed rule takes into consideration any changes in patient severity.

Coding offsets are based on the assumption that hospital payments have increased solely due to changes in coding, or classification of patients. But there could be other reasons for such changes such as the possibility that certain hospital patients have more serious, complex conditions or illnesses. After all, as more patients are increasingly and successfully cared for in hospital outpatient departments, those who are actually admitted to hospitals would likely be more severely ill.

If the proposed rule is enacted, it would cost hospitals across the country an estimated $3.7 billion in FY 2011. We note that MedPAC has shown that hospitals are currently being paid substantially less than the cost of delivering care to Medicare patients. In fact, MedPAC projected a negative 5.9 percent overall Medicare margin for hospitals in FY 2010 and therefore recommended Congress should provide a full inflation update for hospital payments for FY 2011.

We also note that the IPPS rule this year contains a smaller-than-usual update of 2.4 percent, and this update basically will be eliminated by the proposed coding offset. This inflationary update is integral to the Medicare program and intended to account for the rate of increased costs that all hospitals face every year. Such costs include wages and benefits, medical supplies, pharmaceuticals, medical devices, food, and utilities. Our hospitals tell us that a 2.4 percent inflation adjustment does not come close to the actual rate of cost increases they have faced this year.

We ask that if implemented, you ensure that the methodology you have used takes into account changes in patient severity. Otherwise, this cut to hospital payments may
adversely affect their ability to care for patients and serve their communities. Thank you for your consideration.

Sincerely,

Dellie Stansell
Ron Wyden
Robert Menendez
Blanche Lincoln
John F. Kerry
Bill Nelson
Charles Schumacher
Jim Webb
Saysby Chambers

Sara Moulton
Susan Collins
Jim Bunning
George V Voinovich
Olympia Snowe
Pat Roberts


Mike F. Brown
Joel E. Hirschhorn
D. A. Vitter

to Benjamin B. Banneker

Kirsten E. Gillibrand

Bob B. F. Bennet

Patty Murray

Jim L. Inhofe

Sheldon Brown

Mary Landrieu

Al Franken

Arlen Specter

Frank R. Lautenberg

Chris Dodd