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October 12, 2010

The Honorable Sam Graves
United States House of Representatives
1415 Longworth Office Building
Washington, DC 20515

Dear Representative Graves:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our 40,000 individual members, the American Hospital Association (AHA) is pleased to support the *Rural Hospital Protection Act* (H.R. 6346) which would amend the *Social Security Act* to ensure that the full cost of certain provider taxes are considered allowable costs for purposes of Medicare reimbursements to critical access hospitals (CAHs). We applaud your commitment to America's health care providers and stand ready to advocate for H.R. 6346.

In the fiscal year 2011 final inpatient prospective payment system rule, the Centers for Medicare & Medicaid Services (CMS) adopted its proposed "clarification" concerning the taxes under Medicare. Specifically, the agency stated that Medicare contractors will determine the allowability of provider taxes on a case-by-case basis, based on reasonable cost principles, and the contractors will determine if a reduction of the allowable tax expenses is necessary to account for payments providers receive that are associated with the assessed tax.

However, under current regulations, these provider taxes are clearly allowable, and the fact that there may be payments made by the state to the provider – or the fact that Medicaid payments from the state may be funded by the provider taxes – does not change this result. In addition, as long as the tax is a Medicaid-approved provider tax, CMS should not seek to impose a Medicare offset. The agency's policy is jeopardizing the financial sustainability of CAHs. Your legislation would allow CAHs to continue to be appropriately reimbursed for these taxes.

Again, we are pleased to support this important legislation and look forward to working with you and your colleagues to achieve its passage.

Sincerely,

Rick Pollack
Executive Vice President

