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Congress of the United States  
House of Representatives

June 23, 2011

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URGE CMS TO LIMIT REGULATORY  
CUTS TO HOSPITALS IN FY 2012

Dear Colleague:

We invite you to join us in asking the Centers for Medicare & Medicaid Services (CMS) to re-evaluate their proposed Inpatient Prospective Payment System (IPPS) regulation that would apply a 6.05 percent cut to hospitals' payments in FY 2012. This proposed rule will weaken the ability of hospitals to provide high quality services to their patients and communities.

As you may know, the proposed regulation seeks to recoup increases in hospital payments that CMS attributes to changes in patient classification, instead of resulting from the actual treatment of more complex and severely ill patients. We believe that this assertion fails to take into consideration that as more patients are successfully cared for by hospital outpatient departments, hospitals are reporting that those who are actually admitted to the inpatient setting are more severely ill.

If the proposed rule is enacted, it would cost hospitals across the country over \$6.0 billion in FY 2012. This coding offset, along with other policy changes, will cause American hospitals to receive less in Medicare reimbursement for the same services during FY 2012 as compared to FY 2011. This is extremely troublesome, considering that MedPAC analysis has shown that hospitals are already being paid substantially less than the cost of delivering care to Medicare patients.

This rule could have a detrimental effect on patients seeking care in our nation's hospitals. That is why we urge you to join us in requesting that CMS re-evaluate the coding offsets contained in this rule. If you would like to sign onto this letter, or have any questions, please contact Keagan Lenihan in Representative Pete Sessions office at x5-2231 or via e-mail at [Keagan.Lenihan@mail.house.gov](mailto:Keagan.Lenihan@mail.house.gov) or Nicole Cohen in Representative Joseph Crowley's office at x5-3965 or via e-mail at [Nicole.Cohen@mail.house.gov](mailto:Nicole.Cohen@mail.house.gov).

Sincerely,

Pete Sessions  
Member of Congress

Joseph Crowley  
Member of Congress

July XX, 2011

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

Dear Administrator Berwick:

We have significant concerns with the proposed Medicare Inpatient Prospective Payment System (IPPS) regulation for Fiscal Year (FY) 2012. In the draft rule, the Centers for Medicare & Medicaid Services (CMS) proposes a 3.15 percent cut to hospital reimbursement, as well as a continuation of a past cut of 2.9 percent, to eliminate what CMS claims is the effect of coding or classification changes. Before such changes go into effect, we ask that you ensure that appropriate and correct methodology is used and that the proposed rule takes into consideration any changes in patient severity that has occurred.

Coding offsets are based on the assumption that hospital payments have increased solely due to changes in coding, or classification of patients. However, these increases could be due to other reasons, such as the possibility that certain hospital patients have more serious, complex conditions or illnesses. As we see an increase in patients being successfully cared for by hospital outpatient departments, those who are actually admitted to hospitals would likely be more severely ill, resulting in an increase in real case-mix. The methodology CMS has employed cannot separate the effects of documentation and coding from true case-mix change because it uses claims data alone. We urge you to consider using medical records data to distinguish documentation and coding changes from real case-mix changes.

If the proposed rule is enacted, the net impact for hospitals would be an average decrease in inpatient payments. This is a decrease that hospitals can ill afford. When coupled with other policy changes in the rule, it would cut hospital reimbursement by over \$6 billion in FY 2012. 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 7 percent overall Medicare margin for hospitals in FY 2011. Hospitals must have adequate Medicare reimbursement to ensure that patients and communities receive the care they expect and need.

Again, it is our hope the final rule takes into account potential changes in patient severity and mitigates the cuts as currently proposed. Otherwise, the cuts to hospital payments may adversely affect their ability to care for patients and serve their communities. Thank you for your consideration.

Sincerely,