

# United States Senate

WASHINGTON, DC 20510

## Protect Hospital Care for Patients

July 07, 2011

Dear Colleague,

We invite you to join us in expressing our concern to the Centers for Medicare & Medicaid Services (CMS) regarding the coding offset in the proposed FY12 Medicare Inpatient Prospective Payment System (IPPS) regulation. Before such changes go 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.

The proposed regulation seeks to offset increases in hospital payments that CMS attributes to changes in coding or classification of a patient, as opposed to the actual treatment of more complex or severely ill patients. The concern is that this proposal may not fully take into consideration whether hospitals are caring for more patients on an outpatient basis. If they are, then hospitals likely are only admitting the sickest, most costly patients.

If the proposed rule is enacted, it would cost hospitals across the country over \$6 billion for FY 2012, compared to what they would have received absent this policy. 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.

Hospitals must have adequate Medicare reimbursement to ensure that patients and communities receive the care they expect and need. Please join us in requesting CMS re-evaluate the coding offsets contained in this rule. If you would like to sign on to this letter, or have any questions, please contact Alex Sheff or Gianelle Rivera with Senator Stabenow's Office (4-4822) or Amanda Makki with Senator Murkowski's Office (4-6665) by July 18th.

Sincerely,



Senator Debbie Stabenow



Senator Lisa Murkowski

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 write to express our concerns regarding the proposed Medicare Inpatient Prospective Payment System (IPPS) regulation for Fiscal Year (FY) 2012. In this rule, the Centers for Medicare & Medicaid Services (CMS) proposes to apply a 3.15 percent cut to hospital payments, as well a continuation of a past cut of 2.9 percent, to eliminate what CMS claims is the effect of coding changes. Before such changes go 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. 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.

We have heard concerns from hospitals that CMS's methodology for determining the effect of coding changes on hospital payments may not be able to fully separate documentation and coding effects from true case-mix change. In order to provide a complete assessment, CMS could consider not only claims data alone but also medical records data or trend-based analysis. Recent, newly adjusted trend-based analysis suggests that coding changes may account for a smaller increase in hospital payments than CMS has estimated.

If the proposed rule is enacted, it would cut hospital reimbursement by over \$6 billion in FY 2012. Hospitals must have adequate Medicare reimbursement to ensure that patients and communities receive the care they expect and need. We ask that you ensure that CMS's methodology take into account potential changes in patient severity, and consider an appropriate adjustment to the proposed cuts. Thank you for your consideration.

Sincerely,