

# United States Senate

WASHINGTON, DC 20510

July 20, 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,



Senator Debbie Stabenow



Senator Lisa Murkowski

Olympe Snow

Jenny Roth

John Hosen

Paul Bezek

~~John Hosen~~

James J. Keating

Ray Bent

Paul Sun

Bob Carey, Jr.

Richard Shelley

~~John Hosen~~

Jerry Moran

Kirsten E. Gillibrand

Chuck Grassley

Patrick Leahy

Sagey Claubkin

Chuck Sch

Marl Udell

Jeffrey A. Merkle

Amy Klobuchar

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May of Gardner

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Paul Sanders

MM F. B. J.

MAEK Royce

Frank R. Laukenberg

Al Franken

Rabit Mering.

Richard Blumenthal

J. J.

Kelly Ayotte