American Hospital Association

ADVOCACY UPDATE
Action Alert!

Thursday, March 19, 2009

NEED ACTION FROM ..... Teaching hospital leaders
ACTION .... Ask your representative to sign letter urging elimination of capital IME cut
WHEN .... Immediately
HOW .... Call or e-mail your representative
WHY .... Neal, Tiberi circulating letter now

Urge Your Representative to Sign Neal-Tiberi Letter Eliminating Capital IME Cut

Representatives Richard Neal (D-MA) and Patrick Tiberi (R-OH), two members of the House Ways and Means Committee, are asking their House colleagues to sign the attached letter to President Obama, requesting the president to withdraw the capital indirect medical education (IME) cut that was included in last year's inpatient prospective payment system rule.

The recently passed American Recovery and Reinvestment Act – the so-called stimulus bill – cancelled the first year of CMS's planned two-year elimination of the IME adjustment to capital PPS payments. Without further congressional action, however, the provision will take effect October 1, 2009, and will cost teaching hospitals nearly $375 million a year.

We expect a companion Senate letter to be circulated within a few days. Stay tuned for more details.

In the meantime, please urge your representative to sign this important letter.

(Call 1-877-242-2240 or e-mail AHAadvocacy@aha.org to let us know how your Hill contacts go … thanks!)

Congress of the United States
Washington, DC 20515

(Date)

The Honorable Barack Obama
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear President Obama:

We are writing to ask you to cancel a deep cut in payments – scheduled to take place on October 1, 2009 – to teaching hospitals for reimbursement under the capital prospective payment system (PPS).

In 2008, the Centers for Medicare & Medicaid Services (CMS) promulgated a rule that permanently phased out, over two years – fiscal years (FY) 2009 and 2010 – the indirect medical education (IME) adjustment paid to teaching hospitals for their capital expenditures. The policy was initially implemented on October 1, 2008, and was scheduled to be fully phased in beginning on October 1, 2009. Congress, in the recently passed *American Recovery and Reinvestment Act*, eliminated the first year of these cuts. We are now asking you to withdraw the remaining portion of this policy in this year's rule for the inpatient prospective payment system (IPPS).

Eliminating the IME adjustment to the capital PPS would result in nearly $375 million in aggregate annual losses and threatens the financial viability of teaching hospitals, which serve a high volume of Medicare beneficiaries and provide critical services unavailable elsewhere in communities across the country.

While the inpatient PPS is the only payment system in Medicare that does not provide a single payment for total cost (i.e., operating and capital), hospitals have used these payments as if they were a single, combined payment ever since capital cost-based reimbursement ended. As such, hospitals have appropriately made decisions to efficiently deploy their financial resources to meet their most urgent needs, as is the intent of the PPS.

In addition, teaching hospitals have inherently higher capital costs than do non-teaching hospitals. This is due to the need for classroom space, extra equipment to train medical residents and basic physical plant requirements, as well as more sophisticated physical plant needs such as advanced electrical, heating, and cooling systems to support (and back up) this technology. As in the operating PPS, the capital IME adjustment recognizes that teaching hospitals must meet the demand of treating sicker patients, as well as meet the financial demands of operating emergency and trauma care, providing highly specialized services, and treating uninsured patients.

CMS based its decision to eliminate capital IME payments on a capital margin analysis, and ignored the capital expenditure cycle by which hospitals plan and make capital investments. CMS should instead have examined Medicare margins across both capital and operating payment systems. Given that the Medicare Payment Advisory Commission (MedPAC) found that major teaching hospitals in 2007 faced very low overall Medicare margins of 1.1 percent, and that other teaching hospitals had even lower margins of negative 6.4 percent, it is clear that further unwarranted reductions in payments to these hospitals would have devastating consequences on the patients and communities they serve.

We respectfully urge you to withdraw this policy when issuing the FY 2010 IPPS rule.

Sincerely,

RICHARD E. NEAL
Member of Congress

PATRICK J. TIBERI
Member of Congress