

Congress of the United States
Washington, DC 20515

June 2, 2010

Dear Colleague:

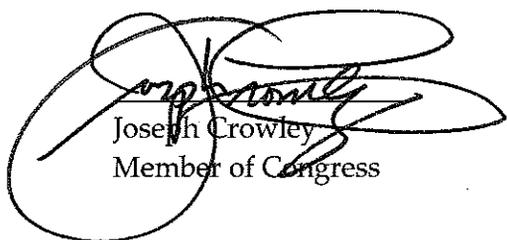
We invite you to join us in asking the Centers for Medicare and Medicaid Services (CMS) to re-evaluate their proposed Inpatient Prospective Payment System (IPPS) regulation that would apply a 2.9 percent cut to hospitals payments in FY 2011. This proposed rule will weaken the ability of hospitals to provide high quality services to their patients and communities.

As you may know, the proposed regulation seeks to 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 and severely ill patients. We believe that this assertion fails to take into consideration that as more patients are successfully cared for in hospital outpatient departments, hospitals are reporting that those who are actually admitted to the inpatient setting are severely more ill.

If the proposed rule is enacted, it could cost hospitals across the country \$3.7 billion for FY2011 compared to what they would have received absent this proposed policy. This coding offset, along with other policy changes will cause American hospitals to receive less in Medicare reimbursement for the same services during FY2011 compared to FY2010. This is extremely troublesome considering that MedPAC analysis has shown that hospitals are 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 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 Eli Kogan in Representative Joseph Crowley's office at x5-3965 or via e-mail at Eli.Kogan@mail.house.gov, or Keagan Lenihan in Representative Pete Sessions's office at x5-2231 or via e-mail at Keagan.Lenihan@mail.house.gov.

Sincerely,



Joseph Crowley
Member of Congress



Pete Sessions
Member of Congress

June x, 2010

Marilyn Tavenner
Acting Administrator
Centers for Medicare and Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, SW, Room 445-G
Washington, DC 20201

Dear Acting Administrator Tavenner:

Recently, the Centers for Medicare and Medicaid Services (CMS) released a proposed Medicare Inpatient Prospective Payment System (IPPS) regulation for Fiscal Year 2011 that would apply a 2.9 percent cut to hospital payments to eliminate what CMS claims is the effect of coding changes not related to the changes in the severity of the patients' illness. As Members of Congress representing hospitals throughout the country – in urban and rural communities alike - that would be negatively affected by this regulation, we urge you to re-examine this issue and mitigate these reductions in payment.

The coding "offset" assumes that hospital payments have increased solely due to changes in coding, or classification of patients, as opposed to hospitals' treatment of more complex and more severely ill patients. We believe that this assertion fails to take into consideration that hospital patients are indeed sicker. Increasingly, as more patients are successfully cared for in hospital outpatient departments, hospitals are reporting that those who are actually admitted to the inpatient setting are often times more severely ill.

If the proposed rule is enacted, the projected inflationary increase for next year, 2.4 percent, would be more than eliminated. It is estimated that it would cost hospitals across the country \$3.7 billion in FY 2011 in reduced Medicare reimbursement compared to what they would have received absent this proposed policy. Hospitals in our districts inform us that a 2.4 percent inflation adjustment doesn't come close to the actual rate of cost increases they have faced this year. Yet, CMS is proposing to go further than eliminating it with this proposed coding offset, resulting in hospitals receiving less in Medicare payment for the same services during FY2011 as compared to FY2010.

The Medicare Payment Advisory Commission (MedPAC) analysis has shown that hospitals are being paid substantially less than the cost of delivering care to Medicare patients. These costs include wages and benefits (nearly 70 percent of hospital costs), medical supplies, pharmaceuticals, medical devices, food and utilities. MedPAC has projected a negative 5.9 percent overall Medicare margin for hospitals in FY 2010, and therefore recommended that Congress provide a full inflation update for hospital payments in FY 2011.

A cut of this size in FY 2011 payments to hospitals could weaken their ability to provide high quality services to their patients and communities. We thank you for your consideration of our concerns and look forward to your timely reply.