

United States Senate

WASHINGTON, DC 20510

Protect Patient Access

Urge CMS to Limit Regulatory Cuts to Hospitals in FY11

June 30, 2010

Dear Colleague,

We invite you to join us in asking the Centers for Medicare and Medicaid Services (CMS) to re-evaluate its proposed Inpatient Prospective Payment System (IPPS) regulation that would hit hospital payments in FY 2011 with a 2.9 percent cut.

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. Our 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 could cost hospitals across the country an estimated \$3.7 billion for FY11 compared to what they would have received absent this proposed policy. This coding offset, along with other newly enacted policy changes, will cause American hospitals to receive less in Medicare reimbursement for the same services during FY11 as compared to FY10. 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 or would like to sign on to the letter, please contact Oliver Kim with Senator Stabenow's office or Amanda Makki with Senator Murkowski's office **by Thursday, July 15.**

Sincerely,


Debbie Stabenow


Lisa Murkowski

July 15, 2010

Marilyn Tavenner
Acting Administrator
Centers for Medicare and Medicaid Services
7500 Security Blvd
Baltimore, MD 21244

Dear Ms. Tavenner:

We write to express our concerns regarding the proposed Medicare Inpatient Prospective Payment System (IPPS) regulation for Fiscal Year (FY) 2011. In this rule, the Centers for Medicare and Medicaid Services (CMS) proposes to apply a 2.9 percent cut to hospital payments to eliminate what CMS claims is the potential effect of coding changes. Before such a change goes 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. After all, 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.

If the proposed rule is enacted, it would cost hospitals across the country an estimated \$3.7 billion in FY 2011. 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 5.9 percent overall Medicare margin for hospitals in FY 2010 and therefore recommended Congress should provide a full inflation update for hospital payments for FY 2011.

We also note that the IPPS rule this year contains a smaller-than-usual update of 2.4 percent, and this update basically will be eliminated by the proposed coding offset. This inflationary update is integral to the Medicare program and intended to account for the rate of increased costs that all hospitals face every year. Such costs include wages and benefits, medical supplies, pharmaceuticals, medical devices, food, and utilities. Our hospitals tell us that a 2.4 percent inflation adjustment does not come close to the actual rate of cost increases they have faced this year.

We ask that if implemented, you ensure that the methodology you have used takes into account changes in patient severity. Otherwise, this cut to hospital payments may adversely affect their ability to care for patients and serve their communities. Thank you for your consideration.

Sincerely,