

June 23, 2022

Dear Senators and Representatives:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinical partners — including more than 270,000 affiliated physicians, two million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) urges Congress to call on the Centers for Medicare & Medicaid Services (CMS) to make changes to the hospital inpatient prospective payment system (IPPS) proposed rule for fiscal year (FY) 2023 in order to ensure that Medicare payments for acute care services more accurately reflect the cost of providing hospital care to patients and communities.

The current inflationary economy combined with the COVID-19 pandemic has put unprecedented pressure on America's hospitals and health systems. They remain on the front lines continuing to care for COVID-19 patients, as well as all other patients that walk through their doors. Historic inflation has extended and heightened the already severe economic instability brought on by the pandemic resulting in razor thin operating margins from massive surges in input costs, including a struggling workforce, drug costs, supplies and equipment. Even slight increases in expenses has had dramatic negative effects on many hospitals' operating margins, jeopardizing their ability to care for patients.

On top of these unprecedented challenges, hospitals and health systems are now facing additional financial pressures from CMS. It is imperative for CMS to make meaningful changes to the IPPS proposed rule for FY 2023 to ensure hospitals are accurately paid for the care they provide to their communities. CMS' proposed market basket update of 3.2% for FY 2023 as well as the FY 2022 payment update of 2.7%, are woefully inadequate and do not capture the current unprecedented inflationary environment. Since the market basket and associated productivity update use historical data to forecast into the future, the current rising inflation and massive growth in expenses facing hospitals and health systems were not adequately considered in the estimates. More recent data shows the market basket for FY 2022 is trending toward 4.0%, well above the 2.7% CMS actually implemented last year. Additionally, the latest data also indicate decreases in productivity, not gains.

Congress should urge CMS to implement a retrospective adjustment for FY 2023 to account for the difference between the market basket update that was



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implemented for FY 2022 and what the market basket is currently projected to be for FY 2022. In addition, Congress should urge CMS to eliminate the productivity cut for FY 2023.

These two critical changes to the IPPS proposed rule would help to more accurately reflect the cost of providing health care and provide hospitals and health systems with some of the resources needed to continue to help their patients and communities. We look forward to working with you to make certain these improvements are implemented in the final IPPS rule.

For further questions, please contact Aimee Kuhlman, vice president of advocacy and grassroots, at advocacy@aha.org.

Sincerely,

/s/

Stacey Hughes
Executive Vice President