



## SENATORS EXPRESS CONCERN OVER SPECULATIVE HOSPITAL PAYMENT CUTS

*Baucus, Grassley caution CMS to base any cuts on actual, not speculative, changes in coding practices by hospitals*

*Washington, DC* – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Chuck Grassley (R-Iowa) today called on the Centers for Medicare and Medicaid Services (CMS) to base any planned cuts to certain Medicare hospital reimbursement rates on actual, not speculative, changes in coding practices by hospitals. The potential cuts are part of a proposed rule CMS plans to implement regarding Medicare’s Hospital Inpatient Prospective Payment System (IPPS), which is used to reimburse hospitals for providing inpatient care to Medicare patients. In a letter to CMS Acting Administrator Leslie Norwalk, the Senators praised the new system, which will better identify the severity of a patient’s illness. They argued, however, that cuts should not be applied speculatively.

**“The financial stability of rural hospitals should not be gambled on guesses about how this new system will operate,”** said Baucus. **“This new method can help the Medicare program better track patient care and improve the accuracy of payment. But we need to wait and see exactly how hospitals will react to the new system before we make any payment adjustments. We can’t get ahead of ourselves and put our hospitals—especially our vital rural hospitals—in jeopardy.”**

Grassley said, **“CMS should take action to ensure that Medicare payments are accurate. However, given what’s at stake for many hospitals, this action should be based on reality, not speculation.”**

Senators Baucus and Grassley first called for the implementation of this system to better account for severity of patient illness in February 2006. The Senators are Chairman and Ranking Republican on the Senate Finance Committee, which has jurisdiction over the Medicare Program. The text of the letter follows here.

June 19, 2007

### **Via Electronic Submission**

Leslie V. Norwalk  
Acting Administrator  
Centers for Medicare and Medicaid Services  
200 Independence Ave, SW  
Washington, D.C. 20201

Dear Acting Administrator Norwalk:

We write to express our views regarding the Medicare Hospital Inpatient Prospective Payment System (IPPS) proposed rule for fiscal year 2008. As you know, fair and accurate Medicare payments for hospital services are a priority for the Senate Committee on Finance.

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We are encouraged that the Centers for Medicare and Medicaid Services (CMS) has proposed to implement the Medicare Payment Advisory Commission's (MedPAC) recommendation to improve the payment system's ability to recognize patient severity of illness. These are important improvements to the payment system and we support you moving forward on their implementation as we called for in our letter last year to CMS on February 9, 2006. However, we are concerned about the agency's proposal to prospectively reduce IPPS payments by 2.4 percent in 2008 and 2009 based on the assumption that the proposed payment system changes will result in hospitals inappropriately changing coding practices to receive higher payments.

We recognize that payment reductions may be necessary to adjust for inappropriate coding changes. While these changes may ultimately be necessary at some point in the future, these prospective payment reductions are based on speculative conclusions about how these changes will be implemented and they may have a negative financial impact, particularly on rural hospitals. As a result, we believe it is more appropriate to proceed with the implementation of these vitally needed improvements to the payment system and then determine whether such adjustments are justified after the payment system reform has actually been implemented. An evaluation could then be completed to assess whether inappropriate coding has occurred and, if so, to what degree.

Thank you for your attention to this matter. We look forward to continuing to work with you to ensure Medicare payments for hospital inpatient services are fair and appropriate. Should you have any questions regarding this letter please contact [staff].

Sincerely,

Max Baucus  
Chairman

Charles E. Grassley  
Ranking Member

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