

Congress of the United States
Washington, DC 20515

June 20, 2019

The Honorable Alex M. Azar II
Secretary
U.S. Department of Health & Human Services
200 Independence Avenue SW
Washington, D.C. 20201

Seema Verma
Administrator
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Secretary Azar and Administrator Verma:

We are writing in opposition to the Centers for Medicare and Medicaid Services' (CMS) recently proposed 2020 inpatient prospective payment rule regarding the Area Wage Index (AWI).

We are specifically concerned by proposed changes to hospital payments derived from the AWI. Should the proposal be finalized, every hospital in California would be forced to accept substantial and unfair payment cuts, in order to fund payment increases in other states. While we firmly agree that hospitals in every state, including those with lower labor costs, deserve full and fair compensation, the federal government should not be robbing Peter to pay Paul at the expense of millions of our constituents.

As you know, current law requires Medicare payments to hospitals to reflect differences in regional labor costs. To meet this requirement, CMS bases hospital payments on the AWI, which uses actual data provided by hospitals to compare labor costs in a given region to the national hospital average.

In April, CMS issued its proposed 2020 inpatient prospective payment rule, which included a provision shifting Medicare payments to hospitals from states in the highest wage quartile to states in the lowest quartile. Strangely, the proposed rule also suggests that data from seven California hospitals should be excluded from the calculation of the AWI – data that, while slightly higher than wage data for other hospitals, CMS itself acknowledges are accurate.

This proposal would redistribute Medicare payments from one group of hospitals to another with little justification, while excluding relevant and accurate data that reflects the true cost of caring for Medicare beneficiaries. Indeed, the proposal appears to directly conflict with the fundamental concept of the AWI: should the proposed rule be finalized, some hospitals would be paid more than the costs they incur, while other hospitals – like those in our districts – would be paid less than the costs they incur.

This abrupt and radical shift would be devastating to California's health care providers and the communities that rely on them. Because the AWI also underpins Medicare payments for hospital outpatient and post-acute services (and, in California, Medicaid payments), these changes will have both wide and deep consequences for health care access and providers across our state.

To reiterate, we fully support commonsense improvements to the Medicare AWI, and do not dispute the financial needs of hospitals across our country, including those in lower-cost states. But this proposal is neither comprehensive nor accurate, and inappropriately targets certain states: in fact, more than half the funds proposed for redistribution would be taken from California hospitals, including those serving our rural communities.

As such, we urge CMS to find other means to help hospitals in other states, without arbitrarily and unfairly penalizing California, and ensure that Medicare payments to California hospitals reflect the true cost of caring for Medicare beneficiaries.

Sincerely,



MIKE THOMPSON
Member of Congress



DOUG LAMALFA
Member of Congress



GIL CISNEROS
Member of Congress



TONY CARDENAS
Member of Congress



DORIS MATSUI
Member of Congress



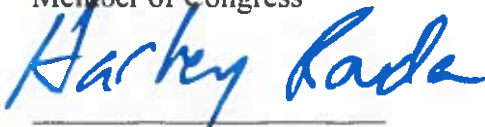
GRACE NAPOLITANO
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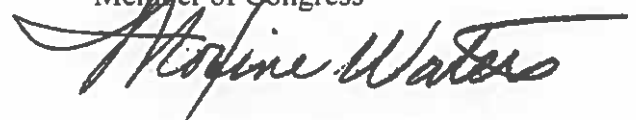
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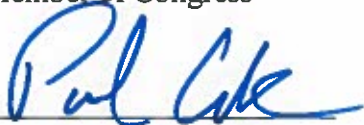
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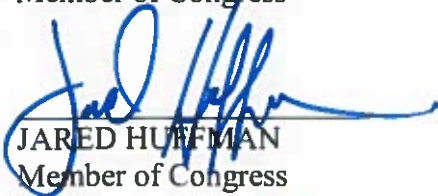
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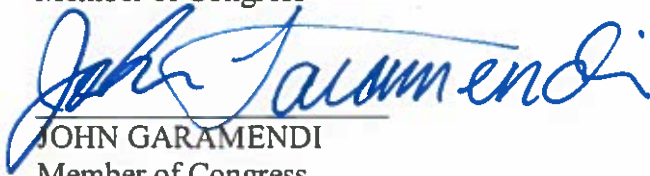
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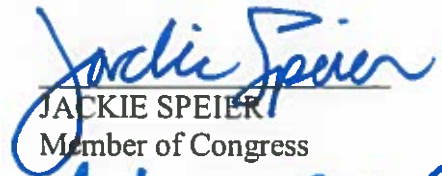
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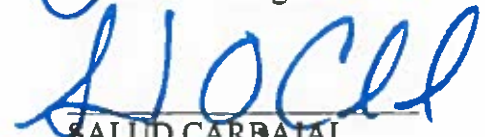
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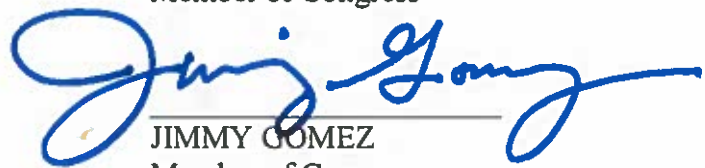
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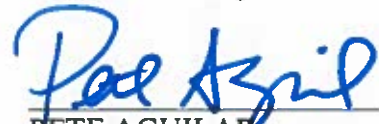
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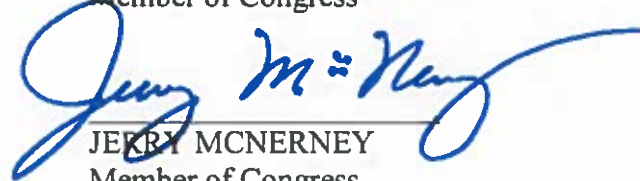
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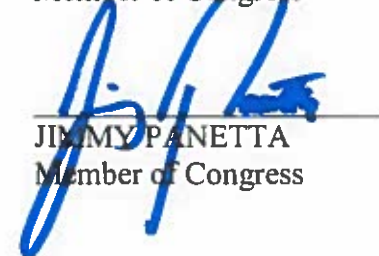
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