TO: CHA Member Hospitals

FROM: Alyssa Keefe, Vice President Federal Regulatory Affairs, and Megan Howard, Senior Policy Analyst

SUBJECT: Member Letter Template

On May 3, the Centers for Medicare & Medicaid Services (CMS) released its federal fiscal year (FFY) 2020 inpatient prospective payment system (IPPS) [proposed rule](https://www.calhospital.org/cha-news-article/cha-issues-summary-ipps-proposed-rule). **Your input is critical, as a proposal outlined in the rule inappropriately and unnecessarily harms California’s hospitals.**

CHA has provided the attached CMS comment letter template so members can quickly and easily insert examples specific to their hospitals that support CHA’s policy position on the proposed changes to the Medicare area wage index. **CHA encourages member hospitals to personalize this letter by adding your hospital letterhead and replacing areas highlighted in yellow with hospital-specific information**. To assist in this, CHA DataSuite previously provided reports outlining how the area wage index proposals would impact your hospital.

**Before you submit your letter, please be sure to delete any yellow highlighted areas you did not fill in.**

**It is critical that you submit a PDF of your letter electronically at** [www.regulations.gov/document?D=CMS-2019-0073-0003](https://www.regulations.gov/document?D=CMS-2019-0073-0003) **by 2 p.m. (PT) on June 24**. If you submit comments to CMS, please share them with CHA — email Alyssa Keefe at [akeefe@calhospital.org](mailto:akeefe@calhospital.org).

DATE

Seema Verma

Administrator

Centers for Medicare & Medicaid Services

Hubert H. Humphrey Building

200 Independence Avenue, SW, Room 445-G

Washington, D.C. 20201

***SUBJECT: CMS-1716-P, Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Proposed Policy Changes and Fiscal Year 2020 Rates; Proposed Quality Reporting Requirements for Specific Providers; Medicare and Medicaid Promoting Interoperability Programs Proposed Requirements for Eligible Hospitals and Critical Access Hospitals; Proposed Rule, Federal Register (Vol. 84, No. 86) May 3, 2019***

Dear Administrator Verma:

<HOSPITAL NAME> is committed to providing high-quality patient care to all who walk through our doors, a mission of care supported by the <XXX> professionals we employ. As we strive to retain a workforce robust enough to meet patients’ needs, the gap between supply and demand is only increasing. Combine this with California’s high cost of living — in 2017, the cost of goods and services in California were 14.8% above the national average[[1]](#footnote-1) — and it is abundantly clear why hospitals must expend greater resources on staffing compared to other states. Upwards of 57% of hospital spending statewide is on labor-related costs[[2]](#footnote-2). In short, providing health care in California simply costs more — but we remain committed to meeting our patients’ needs.

This commitment is greatly undermined by the Centers for Medicare & Medicaid Services (CMS) federal fiscal year (FFY) 2020 inpatient prospective payment system (IPPS) proposed rule, which includes a damaging proposal that would inappropriately and illegally modify calculation of the area wage index. **The impact of this proposal could be disastrous, and we urge CMS to reconsider for the reasons outlined below.**

**The proposal violates principles of parity and pragmatism**

This proposal has generated great concern among California’s hospitals, which have for decades relied on CMS’ Medicare area wage index, a balanced calculation that accounts for the very real and not easily altered geographic discrepancies in costs. This calculation has ensured that hospitals in high-cost areas are not overly burdened by the direct cost of employees or the ancillary services for which hospitals contract with local businesses.

As you can see from the following table, nurses in California are paid the highest wages in the nation, and California has among the highest housing costs in the country. Failure to account for these clear discrepancies in costs is akin to turning a blind eye to the economic realities of the nation’s cost-of-living disparities. These are facts that cannot be ignored if we are to strive for fairness in resource allocation to America’s hospitals.

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| --- | --- | --- | --- |
| State | Average Annual Nurse's Salary[[3]](#footnote-3) | Median Household Income[[4]](#footnote-4) | Median List Price of Houses for Sale[[5]](#footnote-5) |
| CA | $106,950 | $71,805 | $549,000 |
| NY | $85,610 | $64,894 | $429,000 |
| NJ | $82,750 | $80,088 | $339,000 |
| AL | $59,470 | $48,123 | $219,900 |
| MS | $58,490 | $43,529 | $186,000 |
| TN | $61,320 | $51,340 | $255,000 |

<Insert information specific to your hospital: how do your staff’s costs of living compare to other areas of the state?>

While we appreciate that CMS wishes to address the financial challenges of our nation’s rural hospitals, this proposal would negatively harm all California hospitals — particularly our rural hospitals. <For my hospital the loss is estimated at $XXXX in Medicare fee-for-service hospital inpatient payments alone, let alone the untold financial impact on other payers contracted through the Medicare fee schedule. >

<If you serve a rural community, tell your story here. Describe geography and patients served. What would happen to your community if these cuts were allowed?>

**The proposal violates current law**

In addition to the immediate financial harm the 2020 wage compression proposal would inflict on our hospital, the proposal violates the provision of the Social Security Act requiring CMS to adjust payments to reflect area differences in wages, and is not supported by the exceptions provision on which CMS purports to rely. **The wage compression proposal would result simply in a shift of Medicare funds from high-wage states to low-wage states, completely untethered from labor costs faced by hospitals. This is an unprecedented redistributive payment policy with significant consequences beyond hospital inpatient payments.**

Additional provisions of the proposal, which would exempt seven hospitals with “aberrant” data from the current area wage index files, further call into question the legality of CMS’ proposals. Exclusion of these seven hospitals from the wage index would be an inappropriate use of discretion, as CMS has provided no standard for making this determination.

**The proposal threatens Medicare beneficiary access**

In addition to cuts to hospitals, including all of California’s rural providers, cuts would also be made to providers whose payments are based on the “unadjusted” area wage index in the core-based statistical areas, such as home health agencies, skilled-nursing facilities, inpatient rehabilitation facilities, and inpatient psychiatric hospitals and units. This would have devastating impacts on patients’ access to care, as hospitals would be forced to ameliorate financial losses by cutting back services or closing them altogether.

<Insert hospital-specific information re: service lines that could be threatened by massive redistribution of funding>

This is a critically important issue, as the proposed changes to the area wage index would have a direct impact on our ability to meet our mission of care. **As such, we urge you to reconsider and to withdraw this proposal.**

<HOSPITAL NAME> appreciates the opportunity to provide comments on the proposed rule. If you have questions, please contact me at <EMAIL ADDRESS> or <PHONE NUMBER>.

Sincerely,

NAME

TITLE

HOSPITAL NAME

1. Bureau of Economic Analysis, US Department of Commerce. <https://www.bea.gov/news/2019/real-personal-income-states-and-metropolitan-areas-2017>, last accessed June 17, 2019 [↑](#footnote-ref-1)
2. 2017 Office of Statewide Health Planning and Development Hospital Annual Financial Data [↑](#footnote-ref-2)
3. Bureau of Labor Statistics, Occupational Employment Statistics, *May 2018 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates* [↑](#footnote-ref-3)
4. US Census Burea*u Household Income: 2017 American Community Survey Briefs* [↑](#footnote-ref-4)
5. Zillow.com *Home Prices & Values*. Data as of April 30, 2019 [↑](#footnote-ref-5)