

May XX, 2023

The Honorable Chiquita Brooks-LaSure
Administrator, Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Administrator Brooks-LaSure,

We write to you to express our concern regarding the proposed payment updates included in the Centers for Medicare & Medicaid Services' (CMS) inpatient prospective payment system (IPPS) proposed rule for fiscal year (FY) 2024. We are concerned that the proposed payment update does not accurately reflect the current costs of providing care to patients. We respectfully urge CMS to re-evaluate this proposal and consider using its special exceptions and adjustments authority to revise the IPPS final rule, ensuring that hospitals have the resources they need to deliver high quality care.

In FY 2022, CMS finalized a market basket payment update of 2.7% based on data that did not anticipate or incorporate the record high inflation and significant increases in the costs of labor, drugs, and equipment. For example, inflation, as measured by the consumer price index, hit a high of 9.1% in June 2022. Hospitals' labor expense, which account for about half of a hospital's expenses, have skyrocketed in recent years. Likewise, drug and purchased service expenses have increased. The agency did not account for these unprecedented cost hikes when it set the payment update for FY 2022.

Indeed, with more recent data available, the actual market basket update for 2022 is 5.7%, a 3.0% variance from the CMS estimates. The March 2023 MedPAC report on Medicare Payment Policy agrees that hospitals' input costs "exceeded the forecasts CMS used to set Medicare payment rates." This disparity continues to negatively impact hospitals. The proposed FY 2024 payment update would severely exacerbate this problem and does not properly recognize the high financial pressures that hospitals currently face.

In light of these challenges, we urge CMS to use its special exceptions and adjustments authority to implement a retrospective adjustment in the FY 2024 final rule to account for the difference between the market basket update that was implemented for FY 2022, a projection, and the actual market basket for FY 2022. We believe that this payment update would be more accurate and fairer to hospitals and better position them to provide quality care to patients around the country.

On behalf of the hospitals and health systems in our districts and nationwide, we appreciate your attention to these concerns. We look forward to your response.

Sincerely,