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Via electronic submission

Seema Verma
Administrator
Centers for Medicare & Medicaid Services,
Department of Health and Human Services,
Attention: CMS-1716-P,
Mail Stop C4-26-05,
7500 Security Boulevard,
Baltimore, MD 21244-1850

RE: CMS-1716-P, Medicare Program: 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

Dear Ms. Verma:

On behalf of our more than 450 member hospitals and health systems, the Texas Hospital Association appreciates the opportunity to provide comments on the above-referenced proposed rule for the Hospital Inpatient Prospective Payment System.

Recommendations

We applaud CMS' efforts to reform the wage index. The disparity between the high and low wage indices has become an unrealistic reflection of actual cost.

- We agree with CMS' methodology to compress the wage indices for the top 75th and bottom 25th percentile, using a budget neutral methodology that only affects those two quartiles.
- We also applaud CMS' efforts in curtailing manipulations of the wage index by disallowing urban hospital wage data to be used in the calculation of a rural floor. However, we disagree that there should be a 5 percent stop-loss due to this change. This manipulation has resulted in overpayments relative to the hospital's wage data; therefore we do not see any need in applying a stop-loss for those hospitals at the detriment of every other hospital across the country.

We commend you for your decision to address the fundamentally flawed Medicare wage index. The wage index has disadvantaged hospitals in states like Texas for decades and we applaud CMS for proposing relief. It will provide a lifeline to Texas hospitals and the over 420,000 people they employ. Adjusting the wage index for states disadvantaged by the current formula is a justifiable way to maintain a degree of wage index protections for hospitals in states that have seen their rural floor plummet over the years

Background

Unfortunately, for nearly thirty years, the wage index has disadvantaged hospitals located primarily in Southern and rural parts of the country. Due to required budget neutrality, hospitals located in the most affluent areas of the country have been able to steadily increase their Medicare payments at the expense of hospitals in areas where critical care is often needed the most. Currently hospitals in those areas can be paid almost three times as much for doing the same work as our hospitals causing rural hospital closures and forced consolidation. This was never the Congressional intent.

The problem continues to grow worse each year. Declining Medicare payments have forced our hospitals to further cut both costs and services resulting in a downward spiral. If no reforms are taken, the wage index will continue to contribute to fewer rural hospitals and poorer health outcomes. The influx of additional Medicare payments to struggling, primarily rural hospitals, will allow these hospitals to increase their employee wages and help to break the cycle of downward wage pressure that has resulted in progressively lower wage index values. This will help rebalance the current large disparity in Medicare payments and bring them more in line with Congress' original intent.

CMS noted that many comments from the Wage Index RFI in the proposed FFY 2019 IPPS rule reflect "a common concern that the current wage index system perpetuates and exacerbates the disparities between high and low wage index hospitals." Also mentioned was the concern over the rural floor calculation allowing a limited number of hospitals to manipulate the system to achieve a higher rural floor for the state. This was done at the expense of other states leading to increased wage index disparities.

Included in the proposed FFY 2020 IPPS rule are several proposals related to the hospital wage index.

Proposal 1 – (Bottom 25%/ Top 75%)

The first wage index proposal increases wage index values for hospitals with a wage index value below the 25th percentile. Specifically, for these hospitals, CMS would increase the hospital's wage index by half the difference between the otherwise applicable wage index value for that hospital and the 25th percentile wage index value for all IPPS hospitals. As this policy is being implemented in a budget neutral manner, CMS would also decrease the wage index for hospitals with values above the 75th percentile. For these hospitals, CMS proposes to reduce the hospital's wage index by a set percentage (estimated to be 4.3%) of the difference between the otherwise applicable wage index value for that hospital and the 75th percentile wage index value for all IPPS hospitals.

Effective FFY 2020, this policy would be in effect for at least four years in order to give hospitals time to increase employee compensation, as this is the minimum amount of time necessary for the data to be reflected in the Medicare cost report for use in calculating the wage index. The adjustment CMS is proposing only reflects a small shift in payments to balance decades of overpayments to those same hospitals.

Our rural hospitals are heavily dependent on providing services to Medicare patients. Medicare accounts for more than 50 percent of admissions to our rural IPPS hospitals. Unfortunately Texas has led the nation in rural hospital closures. Since 2010, 17 of 94 shuttered rural hospitals have been located in Texas. In 2016 the Medicare margin for 59 of our rural IPPS hospitals was a negative 15.01 percent.

This provision is estimated to increase payments to 93 Texas hospitals by approximately $9.3M annually. More than half of the 93 hospitals benefiting from this proposed policy receive the rural wage index.

Proposal 2 (5 Percent Stop Loss)

The second proposal related to the wage index deals with the 5 percent stop loss provision. As the proposed changes to the FFY 2020 wage index calculation could lead to decreases in the wage index values of some hospitals, CMS is proposing that a hospital's FFY 2020 wage index be no less than 95% of its final FFY 2019 wage index. Hospitals will then be fully impacted by these decreases in FFY 2021. CMS is proposing to apply a budget neutrality adjustment of 0.998349 to the FFY 2020 IPPS rate to account for this transition.

Prior to this year's proposed rule, large providers in specific areas of the country contracted with outside consultants to influence cost reports to increase the gap year after year. This proposal will stop the self-perpetuating cycle of hospitals in some regions of the country creating artificial marketplace supplemented by other states.

As proposed a budget neutrality factor is being applied to all IPPS hospitals to primarily benefit those hospitals located in three states. It is unfortunate that payments to more than 3,172 IPPS hospitals nationwide are being reduced to offset increased payments to approximately 146 hospitals. Under this proposal, these 146 hospitals (4.4% of total IPPS hospitals) are estimated to receive more than $138M (87.1% of total payments).

This provision is estimated to negatively impact all but one of our Texas hospitals. Payments to our 303 IPPS hospitals are estimated to decrease by almost $13M.

Thank you for your consideration of these comments. We look forward to working with you on these issues. Should you have any questions or comments, please email me at rschirmer@tha.org.

Sincerely,

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