



IOWA HOSPITAL
ASSOCIATION



January 18, 2012

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

On behalf of 19 state hospital associations and the millions of Medicare beneficiaries our members annually care for, we respectfully ask that you include language in your FY 2013 Budget Submission to Congress that addresses the adverse impact of Sec. 3141 of the Patient Protection & Affordable Care Act (PPACA). As reported in several news stories, this PPACA provision permitted the Commonwealth of Massachusetts to manipulate the federal Medicare program, reaping an estimated \$367 million annually from the other 49 states – and unfairly favoring one state’s hospitals and Medicare beneficiaries to the detriment of others.

If left uncorrected, hospitals in 49 states will experience reduced funding of more than \$3.5 billion over the next ten years as a direct result of this manipulation of Medicare’s hospital wage index. Hospitals nationwide are already struggling with reduced government payments and the potential for cuts through the federal deficit reduction discussions and health care reform. Scarce Medicare funding should reward value and efficiency in health care, not be diverted based on artful manipulation of obscure payment formulas.

Recently, your leadership at the Centers for Medicare & Medicaid Services (CMS) expressed its concerns that changing hospital status, such as what was done in Massachusetts (via PPACA), results in significantly inflated wage indexes across a state “...in a manner that was not intended by Congress...” CMS further

calls this a "...manipulation..." and hints that if this action is not stopped, there is the potential for more states to further redistribute hospital payments based not on patient or community need, but on a manipulation of the Medicare program.

Similarly, the Medicare Payment Advisory Commission (MedPAC) noted that this "...exception triggered in the state of Massachusetts will have a large impact on hospital payments..." MedPAC further stated that as a result of the budget neutral change, "...all hospitals – including rural hospitals – will absorb the financial loss..."

We all understand and appreciate the challenging financial environment that our nation confronts, but unless this problem is swiftly corrected, it could serve to impede your administration's goals of moving toward value-based purchasing and accountable care. Therefore, we respectfully ask that you help us right this wrong and address this ill-advised provision. We look forward to working with you on this matter.

Sincerely,

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