

Testimony Submitted to the House Ways and Means Committee
by
Pocono Medical Center
About Current Hospital Issues in the Medicare Program
May 20, 2014

Pocono Medical Center appreciates the opportunity to submit this written testimony to the House Ways and Means Committee to supplement the oral testimony delivered to the committee about current hospital issues in the Medicare program.

Pocono Medical Center supports the American Hospital Association's position on Medicare's proposed two-midnight rule and appreciates the attention the committee is giving to that rule, and views on it, today.

At the same time, Pocono Medical Center has additional concerns about the Centers for Medicare & Medicaid Services' proposed inpatient prospective payments system regulation for FY 2015 and changes that proposed regulation calls for in Medicare area wage index system. We present those concerns today.

Introducing Pocono Medical Center

The Pocono Medical Center is a 235-bed, non-profit community hospital located in East Stroudsburg, Pennsylvania. It is the only hospital in Monroe County and has been designated a sole-community provider by the Centers for Medicare & Medicaid Services (CMS). Pocono Medical Center serves both Monroe and Pike counties, two of the fastest-growing counties in Pennsylvania. The hospital employs more than 1900 people and has over 235 physicians on the medical staff who work in more than 30 medical specialties. Its emergency room serves approximately 80,000 patients a year, its Mother/Baby Unit welcomed over 800 newborns into the world in 2013, and last year the hospital provided more than \$25 million in community benefit and investment to the community which includes uncompensated care to uninsured patients.

The Issue at Hand Today

CMS recently proposed a major update of the labor markets used to determine hospitals' Medicare area wage index adjustments. This update is based on the most recent labor market delineations developed by the Office of Management and Budget (OMB) based on 2010 census data – the first such use of 2010 census data for this purpose – and results in proposed changes in Medicare wage index adjustments for thousands of hospitals across the country, including Pocono Medical Center.

Among the proposed changes, Monroe County, where the Pocono Medical Center is located, has been reclassified from the rural area it has long been to an urban area.

The Challenge Pocono Medical Center Now Faces

Pocono Medical Center has long been classified by Medicare as a sole-community hospital because it has been located in a rural area and meets other formal Medicare criteria for this classification. This status is important to the hospital and the community it serves because it confers financial benefits to support the hospital's delivery of services that in many cases it would not provide if it made such decisions on a purely financial basis. The rationale for these benefits is that sole-community hospitals need to be able to provide a wide range of services – wider than financial prudence justifies – because of their relative geographic isolation and their communities' lack of acute-care options. The value of these benefits is more than \$10 million a year, and without them, it is not clear if the hospital could survive.

For Pocono Medical Center to retain this vital sole-community hospital status and these essential benefits, it will need to seek to reclassify as a rural hospital – a move that would enable it retain its sole-community hospital status but that also would result in changes that would cost the hospital about \$1.3 million a year in lost Medicare revenue.

This would be a significant loss for the hospital, and CMS acknowledged in its announcement of the new labor market areas that it recognized that these changes could result in significant losses of Medicare revenue for some hospitals. For this reason, it extended grace periods for some hospitals: transition periods of up to three years during which selected hospitals would not suffer immediate losses of Medicare revenue and would instead have an opportunity to consider their options and make any adjustments in their operations needed to accommodate such a major loss of Medicare revenue. Among those granted transition periods are hospitals that would suffer a cut in their wage index because of the new labor market areas (one year); critical access hospitals located in counties that previously were designated rural but that would be urban under the new OMB labor market areas (two years); and hospitals currently located in urban counties that the new delineations reclassify as rural counties (three years).

Pocono Medical Center believes its situation closely mirrors that of critical access hospitals located in counties that previously were rural but that are now considered urban under the new OMB labor markets. For this reason, it believes that it – and other sole-community hospitals like it that have seen their rural designation changed to urban – should be given the same two-year transition period as those critical access hospitals.

Pocono Medical Center is far from alone in facing this difficult challenge. In all, 14 hospitals in 11 states – Alabama, Arizona, Hawaii, Michigan, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia – find themselves in the same situation today: facing a significant loss of Medicare revenue and without the relief from this sudden loss that CMS proposes extending to many similar hospitals facing a similar problem.

Conclusion

Pocono Medical Center understands and accepts the labor market changes OMB has proposed and that CMS intends to employ. The hospital also appreciates CMS's sensitivity to the problems sudden losses of Medicare reimbursement can cause and respects the agency's decision to offer affected hospitals a transition period to adjust to those changes. At the same time, however, Pocono Medical Center believes that because of the special role sole-community hospitals play and the special financial obligations they undertake as part of fulfilling that role, these hospitals, too, should be extended a transition period to ensure their ability to adjust to the proposed changes without jeopardizing their ability to serve their communities.

For this reason, Pocono Medical Center respectfully asks Congress to prevail upon the Secretary of the Department of Health and Human Services and the CMS administrator to extend a two-year transition period to the Pocono Medical Center and other sole-community hospitals that have seen their labor market lose its rural designation and be categorized as urban instead. If they reject this request, the hospital asks Congress to enact legislation imposing this much-needed solution on the administration.

Pocono Medical Center appreciates this opportunity to provide testimony to the Ways and Means Committee and welcomes any questions committee members or staff may have about the situation and the hospital's request.

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