

Chairman Brady and members of the Committee,

Thank you very much for the opportunity to submit this testimony to the Health Subcommittee of the House Ways and Means Committee.

My name is John Kosanovich and I am President and CEO of the Watertown Regional Medical Center, Watertown, WI. We are a progressive regional health system serving south central Wisconsin with a main campus in Watertown Wisconsin and five other locations. We are a partner with the UW system.

We face two vexing problems--uncertainty and regulatory complexity -- that create a barrier for us to provide the best services to the citizens of our region.

The uncertainty, frankly, is largely a result of the action of this Subcommittee, Full Committee, and Congress. It is difficult to plan our future when we have no idea what drastic changes you may have in store for us as soon as March 2015. It is impossible to plan rationally for our future because this Congress -- both House and Senate -- have created a lurching, gyrating environment in which decisions are made at the last minute and presumably on the fly that dramatically impact the payments by our largest single customer -- the Medicare program.

Let me illustrate. Everyone agrees that the current SGR system needs to be radically changed. But no one can agree how to pay for it. Early this year there was a bicameral, bipartisan repeal bill but it did not include so called "pay fors." As a result for at least the 8th time there was a "patch" to fully pay physicians and the necessary revenue through Medicare savings to pay for it was found. The current patch lasts until March 2015. None of us--least of all them--know how the Congressional Budget Office will score the cost of either permanently or temporarily fixing the system. The various CBO estimates over time is one of the most obvious examples of gyrations in the system.

Furthermore, there are a number of payments such as Medicare Dependent Hospitals (MDH) that are extended on a patch to patch basis. How do we plan our future and make sure we are giving the best care to our patients if we don't know if a program will exist or whether or not we will be eligible for it?

Eligibility of MDH is an interesting case in point. We were told by our fiscal intermediary that we were eligible for MDH and received the payment for several years. Then, the fiscal intermediary decided we were not eligible. Loss of the \$1.6 million from MDH payments plus the loss of \$1.5 million resulting from the Sequestration and other Medicare payment changes created a fiscal crisis for us. The crisis and our difficulty in planning continue because we don't know year to year if the MDH program will exist.

MDH should be made permanent. In addition, the law needs to be clarified that hospitals like ours which are known as "Lugar" hospitals are eligible for MDH which is far from clear in current law and regulations and needs statutory clarification.

Now let me turn to complexity which the MDH case illustrates. We have been advised that we have at least six options of how we can be paid. Our community is located between the Milwaukee and Madison Metropolitan Statistical Areas (MSA) in a rural county. There are various options which we might have, each one of which is treated differently by CMS. We may be Urban Milwaukee, Urban Madison, rural, Lugar, or "out migration". Confusing. You bet it is. The complexity of the regulatory environment makes it very difficult to make wise decisions. Layered on top is the uncertainty if any one of these categories will exist for us and whether or not special programs like MDH will continue to exist.

Much of the responsibility falls on CMS which issues the regulations, sets the rules, and then at a "sub-regulatory" basis picks winners and losers. Let me illustrate again.

Buried deep in the federal register (8/18/11 p. 51599) is a discussion of the status of "Lugar" hospitals. In response to a comment, CMS in effect makes law by declaring that a Lugar Hospital that waives its status to obtain re-designation to receive an out-migration adjustment is now no longer an urban hospital but is a rural hospital. There is nothing in statute or legislative history that justifies this distinction but CMS has decided that is the case.

It may be impossible to avoid much complexity but what I would urge the Committee to do three things:

1. Renew and enhance its oversight of CMS to reduce complexity.
2. Eliminate uncertainty by setting up a system that gives us all certainty in what our fiscal future will be.
3. Clarify the statute to permit Lugar hospitals to receive MDH payments.

Thank you.

John P. Kosanovich
President & CEO