



IOWA HOSPITAL ASSOCIATION



January 16, 2013

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 20 state hospital associations – and the National Rural Health Association - and more importantly the millions of Medicare beneficiaries our members annually care for, we respectfully ask that you include language in your FY '14 Budget Submission to Congress that would address the adverse impact of Sec. 3141 of the Patient Protection & Affordable Care Act (PPACA). As reported in several news stories, including the this past Sunday's *Boston Globe* cover story, 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.*

“The entire way the payment...has become so complex and so susceptible to gaming and manipulation,” said Dr. Donald Berwick, your former administrator of the Centers for Medicare and Medicaid Services, adding, “...what Massachusetts gets comes from everybody else.”

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. Hospitals nationwide are already struggling with reduced government payments and the potential for cuts. Scarce Medicare funding should reward value and efficiency in health care, not be diverted based on 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.

Confirming this point, your Administration further noted in its Senate Finance Committee QFR Response(s), August 3, 2012, “...While payments increased to Massachusetts hospitals, they were offset by a corresponding decrease in payments to other hospitals nationwide. The application of the rural floor is budget neutral...”

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.

Attached to this correspondence is a copy of the *Boston Globe* article that includes the fuller context of Dr Berwick’s comments. We look forward to working with you for a swift resolution, and our contact for this matter is Dan Boston at Health Policy Source. Inc – 202/347-8933 or dboston@healthpolicysource.com .

Sincerely,

Alabama Hospital Association
Arkansas Hospital Association
Delaware Healthcare Association
Georgia Hospital Association
Iowa Hospital Association
Kansas Hospital Association
Kentucky Hospital Association
Louisiana Hospital Association
Mississippi Hospital Association
Missouri Hospital Association
National Rural Health Association

Nebraska Hospital Association
North Carolina Hospital Association
Ohio Hospital Association
Oklahoma Hospital Association
Oregon Assoc. of Hospitals & Health Systems
South Carolina Hospital Association
South Dakota Assoc. of Healthcare Orgs.
Virginia Hospital & Healthcare Assoc.
West Virginia Hospital Association
Wisconsin Hospital Association