

June 9, 2006

Mark B. McClellan, MD, PhD
Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
Attention: CMS-1488-P
P.O. Box 8011
Baltimore, MD 21244-1850

Dear Dr. McClellan:

The undersigned medical societies and associations of medical professionals are concerned about the proposed changes in Medicare's hospital inpatient payment system. The undersigned organizations represent thousands of physicians across the nation taking care of Medicare beneficiaries in our nation's hospitals. We fully support efforts to base payments on the cost of providing services but the proposal does not appear to achieve that goal.

The proposal appears to have methodological flaws and to be based on weak or inaccurate data. For example, the hospital-specific relative value approach exaggerates the redistributive effects of the proposal and biases payments against larger facilities that provide more sophisticated and expensive care to Medicare beneficiaries. The magnitude of the cuts that would be imposed on urban teaching hospitals due to the use of this approach, even those located in primarily rural states, could have significant adverse consequences for patient care.

Significant concerns have also been raised about how data was trimmed, the accuracy of cost data collected by hospitals that had little individual benefit from a thorough accounting for costs under the old payment system, as well as mathematical errors in the calculation of the proposed payment rates. The methodology's assumption that there are similar cost-to-charge ratios for devices that vary significantly in cost should also be supported by research or avoided by developing separate cost categories for those devices.

We fully support the goal of improving payment accuracy for hospital inpatient services, but we also believe that CMS should resolve these problems before it implements changes and that all stakeholders should have the opportunity to review and comment on a modified proposal with accurate proposed payment rates prior to implementation. It would be difficult to accomplish all of this by the deadline for publication of the final rule at the beginning of August.

We are also concerned about how the proposed changes for fiscal year 2007 will be integrated with planned changes for 2008. Payments for some procedures may be dramatically changed in one direction and then the other. The Medicare Payment

Advisory Commission (MedPAC) recommends that all changes be implemented simultaneously and we concur. This potential whiplash effect on fees may lead to poor planning by hospitals.

If the result of these revisions still leaves hospitals with significant changes in the way different procedures are reimbursed, we hope that hospitals will be given sufficient time to adapt to these changes. A significant lead-time before changes are implemented could help hospitals budget accurately and a phase-in of significant changes is warranted. MedPAC is recommending a transition to the new rate setting system and we concur. The hospital reimbursement system has not seen changes this significant for decades and it will take time for hospitals to adapt.

The undersigned medical societies and associations of medical professionals urge CMS to refine its proposed methodology, collect better data on costs, provide hospitals with adequate advance notice of any significant changes, and provide a transition period for significant changes. We thank CMS' leaders for their consideration of this matter and hope that dramatic and unwarranted changes in hospital payments do not affect our ability to provide top quality care to Medicare beneficiaries.

Sincerely,

American Academy of Facial, Plastic and Reconstructive Surgery
American Academy of Neurology
American Academy of Physical Medicine and Rehabilitation
American Academy of Otolaryngology-Head and Neck Surgery
American Association of Neurological Surgeons
American College of Cardiology
American College of Cardiovascular Administrators
American College of Chest Physicians
American College of Osteopathic Internists
American College of Osteopathic Surgeons
American College of Radiology Association
American College of Surgeons
American Medical Association
American Medical Group Association
American Osteopathic Academy of Orthopedics
American Osteopathic Association
American Society of Addiction Medicine
American Society of Anesthesiologists
American Society of Echocardiography
American Society of Nuclear Cardiology
American Society of Plastic Surgeons
American Urological Association
Congress of Neurological Surgeons
Heart Rhythm Society
Medical Group Management Association

National Hispanic Medical Association
Society for Cardiovascular Angiography and Interventions
Society for Cardiovascular Magnetic Resonance
Society for Vascular Surgery
Society of Interventional Radiology
Society of Thoracic Surgeons