



May 17, 2016

Andy Slavitt  
Acting Administrator  
Centers for Medicare & Medicaid Services  
Department of Health & Human Services  
Room 314G  
Washington, D.C. 20201



Dear Mr. Slavitt:

The Alliance for America's Hospitals is a coalition representing 21 state hospital associations and the National Rural Health Association. Its purpose is to promote repeal of section 3141 of the Patient Protection and Affordable Care Act. The one-sentence statute manipulates the Medicare Average Wage Index system, which adjusts certain payments to hospitals as a way to account for differences in labor costs between geographic regions.



Before the PPACA, changes in hospital wage-index classifications and the application of a "rural floor" for payments were managed in a variety of ways. However, beginning in 2008, the provision, as expressed and supported by health policy experts, including CMS, became budget-neutral within the affected state. With that change, the only affected hospitals are those in the state availing themselves of this provision. The PPACA law eliminated this fair and balanced provision and now distributes the costs of those changes to hospitals nationwide.



An orchestrated reclassification of a small critical access hospital on Nantucket Island off the coast of Massachusetts, coupled with the application of the national "rural floor" standard, has allowed 60 Massachusetts hospitals to reap an estimated \$1.3 billion in redirected Medicare inpatient and outpatient payments in fiscal years 2012 to 2016. The payment increase stems from the higher labor costs of the isolated island hospital, which became the rural-floor payment standard for all Massachusetts hospitals. The gains of these Massachusetts hospitals come at the expense of hospitals across the nation, which have their Medicare payments cut to offset the higher payments in Massachusetts.



Both CMS and the Medicare Payment Advisory Commission previously have voiced concern about this manipulation of the wage index system. Despite strong bipartisan support of legislation to end the manipulation, repeal efforts have been stymied by those seeking to perpetuate it.



Recently, the issue has come back into CMS' jurisdiction. The hospital on Nantucket Island – the 19-bed Nantucket Cottage Hospital – is seeking CMS' authorization to allow it to change the data it previously submitted to CMS for use in calculating the wage indices for the nation's hospitals for the fiscal year beginning next October 1. Citing assorted errors, the hospital is seeking to revamp its data nearly two months after CMS' deadline for submitting final data. Because that hospital's wage data is the benchmark for Massachusetts' hospitals, the flawed data cuts the windfall payments they will receive for federal fiscal year 2017.



Representing hospitals which have borne the burden of Massachusetts' manipulation, the Alliance for America's Hospitals has no sympathy for the request by Nantucket Cottage Hospital or for the Massachusetts hospitals whose associated reimbursement will be trimmed but not eliminated by the Nantucket hospital's inattention to detail and deadlines. The reimbursement of the hospitals represented by the Alliance for America's Hospitals have been trimmed, too, for years and without relief by the actions of Nantucket Cottage Hospital.

If CMS chooses to ignore its own wage index data deadline in this case, our member hospitals will be held responsible for paying the estimated \$160 million in additional windfall to Massachusetts hospitals. Nantucket Cottage Hospital should bear responsibility for its errors. The other Massachusetts hospitals should accept the consequences of having cast their lot with Nantucket in this manipulation of the Medicare wage index system. In our view, scarce Medicare funding should reward actual costs, value and efficiency and not be diverted based on artful manipulation of obscure Medicare payment formulas.

The Alliance for America's Hospitals urges CMS to deny Nantucket Cottage Hospital's request to change its flawed wage index data.

Sincerely,

The Alliance for America's Hospitals