

NATIONAL ASSOCIATION OF URBAN HOSPITALS

Private Safety-Net Hospitals Caring for Needy Communities

June 9, 2006

Centers for Medicare & Medicaid Services
U. S. Department of Health and Human Services
Attention: CMS-1488-P2
Baltimore, Maryland 21244-1850

Subject: CMS-1488-P2
Issue Identifier: Occupational Mix Adjustment

To Whom it May Concern:

I am writing on behalf of the National Association of Urban Hospitals (NAUH) to express our views on the occupational mix adjustment that was presented in the proposed FY 2007 Medicare inpatient prospective payment system rule.

NAUH understands that the Centers for Medicare & Medicaid Services (CMS) was compelled to address this issue because of a recent federal court ruling and that the timing of that ruling left the agency with relatively little time to act. We also understand that CMS is dissatisfied with the current occupational mix survey because it does not produce the outcomes that the agency sought. Together, these factors have contributed to the proposed implementation of an occupational mix adjustment for FY 2007 that raises several concerns for urban safety-net hospitals.

NAUH's Concerns With the Proposed Occupational Mix Adjustment

NAUH believes that hospitals should be able to understand the impact that a proposed rule would have on them – and CMS has historically provided sufficient information to make such analysis possible. In this particular situation, however, it has not. Today, hospitals face the prospect of providing a specific set of data to CMS without any meaningful idea of how its use might affect their Medicare wage index. It appears, though, that the impact could be significant for some hospitals – but it is unclear for which hospitals this might be the case and it is unclear how great these effects might be. Consequently, hospitals cannot plan for how to adjust to whatever effect the occupational mix has on their wage index – and on their overall Medicare revenue.

We also are concerned about the potential impact of the occupational mix adjustment on hospitals in states that have mandatory nurse-to-patient ratios. Currently, this is only the case in California, but officials in other states are contemplating imposing such requirements as well (Massachusetts, for example, is now on the verge of doing so). We do not believe it is good public policy to punish providers for policies imposed on them by their state governments.

Next, we are concerned about CMS's plan to base occupational mix adjustments on only three months worth of data. This raises a number of potential problems. First, we do not believe three months worth of data will be enough to meet the agency's needs. Second, we question the ability of hospitals to provide the timely, quality data that CMS needs to make this work. Hospitals were expecting a survey in the coming year but did not expect to be required to submit data so soon. Consequently, they have not had time to plan adequately for it and devote the resources necessary to complete it in such a short period of time. Between the rush to collect the data and the decision to base calculations on only 25 percent of the usual amount of data, almost any results that CMS produces will be of questionable value.

Suggested Alternative Approaches

Instead of completely implementing the proposed occupational mix survey, with its potential shortcomings, NAUH recommends that CMS hold harmless all hospitals that would see their Medicare wage index decline as a result of the proposed occupational mix survey. We further propose that should CMS decide not to extend this hold harmless beyond one year, it should offer these same hospitals at least a two-year transition period to ease the unexpected burden imposed by the reduction in wage index as a result of this process.

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NAUH recognizes that the impetus for this proposed aspect of the FY 2007 inpatient rule was a court ruling that left CMS relatively little time to act and relatively little discretion over the method of implementation. We believe it would be appropriate for the Secretary to exercise his authority to ease the blow of this unexpected, major change in Medicare policy.

We appreciate the opportunity to comment on this aspect of the proposed FY 2007 Medicare inpatient rule and welcome any questions you may have about our concerns or our recommendations.

Sincerely,

Ellen J. Kugler, Esq.
Executive Director