May 13, 2013

Marilyn Tavenner
Acting Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-1599-P
P.O. Box 8011
Baltimore, MD 21244-1850

RE: CMS-1599-P, Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Proposed Fiscal Year 2014 Rates; Quality Reporting Requirements for Specific Providers; Hospital Conditions of Participation; Proposed Rule (Vol. 78, No. 91), May 10, 2013

Dear Ms. Tavenner:

On behalf of its 71 acute care hospital members, the New Jersey Hospital Association (NJHA) appreciates the opportunity to comment on Medicare's imputed wage index floor policy. At a later date and under separate cover, NJHA will submit additional comments on the Centers for Medicare & Medicaid Services' (CMS) hospital inpatient prospective payment system (PPS) proposed rule for fiscal year (FY) 2014.

In the proposed rule, CMS states:

> *"For FY 2014, we are proposing to extend the imputed floor policy (both the original methodology and the alternative methodology) for one additional year, through September 30, 2014, while we continue to explore potential wage index reforms. We are proposing to revise the regulations at § 412.64(h)(4) to reflect the proposed 1-year extension. We are inviting public comments regarding the 1-year extension of the imputed floor." (78 Federal Register 27556, May 10, 2013)*

NJHA strongly supports the agency's proposal to extend the imputed wage index floor policy through FY 2014. We also support CMS' decision to maintain the unique formulas for computing the imputed floor values for the only two all-urban States in the country: New Jersey (per the "original methodology") and Rhode Island (per the "alternative methodology").

We applaud CMS' vision in recognizing the inequity inherent in the Medicare wage index system for all-urban States prior to FY 2005, and for establishing an internally-consistent approach to remedy the situation through the creation of the imputed wage index floor policy. As part of its rationale for implementing the imputed floor, CMS keenly acknowledged the competitive disadvantage suffered by all-urban States in the absence of an imputed wage index floor. Referencing the existence of a single "predominant" labor market in New Jersey, CMS stated that such a situation, "*forces hospitals that are not located in the predominant labor market area to compete for labor with hospitals that are located in that area."* The agency further elaborated that, *"because there is no ''floor'' to protect those hospitals not located in the predominant labor market area from facing continued declines in their wage index, it becomes increasingly difficult for those hospitals to continue to compete for labor." (69 Federal Register 49110, August 11, 2004)*

NJHA submits that New Jersey's competitive disadvantage remains as significant today as it was when CMS originally acknowledged it in the above comments. New Jersey is arguably the most unique market in the country, particularly for hospital labor. Several factors contribute to this uniqueness, and together they create a complex competition for labor that does not exist elsewhere. These factors include the following:

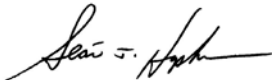
- Population Density – New Jersey is the most densely populated State in the nation, with 1,196 residents per square mile. In contrast, there are 87 residents per square mile when viewing the United States as a whole. Regionally, even neighboring States Pennsylvania and New York pale in comparison, with 284 and 411 residents per square mile, respectively.
- Commuting Ease – The entire State of New Jersey can be traversed from coast to coast in roughly one hour. With workers willing to travel longer and with greater access to highways and mass transit options, people are increasingly basing employment on who offers better wages. New Jersey hospitals compete for labor with hospitals in the first and fifth largest cities in the country: New York City and Philadelphia. Across these markets, 173 acute care hospitals compete for limited labor resources. The ease of commuting exacerbates an already-intense workforce competition and drives up the cost of labor in the New York City-New Jersey-Philadelphia market.
- Prevalence of Teaching Programs – New Jersey as a State is more akin to a major northeastern city in terms of its hospital teaching program density. Sixty-two percent of New Jersey hospitals have teaching programs. This is more than double the national average of 29 percent. One has to drill down to cities like Boston (63 percent) and Philadelphia (56 percent) to find regions with similar concentrations of teaching hospitals.

NJHA has long maintained that the imputed wage index floor policy creates a climate of symmetry, equity and consistency in the Medicare reimbursement process. As CMS continues to "explore potential wage index reforms," preserving the current system is the soundest course of action. Given the complexities of Medicare reimbursement and the many reforms to the healthcare delivery system underway as a result of the Affordable Care Act, providing hospitals with stability by keeping major provisions of the wage index system in tact through FY 2014 is a prudent policy decision.

The New Jersey Hospital Association appreciates the opportunity to share our appreciation and comments with CMS on the imputed wage index floor policy for FY 2014 and beyond. We welcome the opportunity to remain involved in future discussions on the Medicare wage index issues.

If you have any questions, please feel free to contact me at 609-275-4022 or shopkins@njha.com, or Roger Sarao, vice president, Economic & Financial Information, at 609-275-4026 or rsarao@njha.com.

Sincerely,



Sean J. Hopkins
Senior Vice President, Health Economics
New Jersey Hospital Association