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June 13, 2019

The Honorable Seema Verma
Administrator
Center for Medicare and Medicaid Services
7500 Security BLVD
Baltimore, MD

Re: ***CMS–1716–P, Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Proposed Policy Changes and Fiscal Year 2020 Rates; Proposed Quality Reporting Requirements for Specific Providers; Medicare and Medicaid Promoting Interoperability Programs Proposed Requirements for Eligible Hospitals and Critical Access Hospitals.***

Dear Administrator Verma:

On behalf of the New Jersey Hospital Association (NJHA) and its over 400 hospital, health system, PACE and post-acute members, thank you for the opportunity to comment on the Centers for Medicare & Medicaid Services' Fiscal Year 2020 Hospital Inpatient Prospective Payment Systems proposed rule.

This comment is specifically focused on NJHA's deep concern with changes to the Medicare Area Wage Index (AWI) and related proposals contained within the proposed rule. NJHA intends to submit a more detailed comment letter on the remainder of the proposed rule at a later date.

NJHA strongly urges CMS to reconsider the proposed Medicare Area Wage Index (AWI) redistribution policy included in the FY 2020 Inpatient Prospective Payment System proposed rule.

The proposed policy, which is intended to benefit rural hospitals, will have a deleterious effect on New Jersey hospitals' ability to continue competing for skilled labor, offering innovative health care services, and providing world-class care to millions of patients each year.

Since its creation in 1983, the Medicare Area Wage Index has been used by CMS to adjust fee-for-service payment rates for hospitals according to the facility's geographic location, recognizing that certain costs beyond the hospitals' control vary between metropolitan and nonmetropolitan areas. By design, hospitals in higher-wage areas receive higher Medicare payments than hospitals in labor markets where the input price of labor is lower. The fundamental rationale for geographic adjustment is to create a payment structure that adjusts payments for the input price differences, such as employee compensation, that providers face when they provide care.

In the FY 2020 IPPS proposed rule, CMS suggests increasing payments for hospitals in the lowest 25 percent of the wage index, beginning in 2020 and continuing for four years. To offset this increase, CMS proposes redistributing payments from hospitals with a wage index above the 75th percentile.

Every New Jersey hospital would be negatively affected by this redistribution policy. The state would stand to lose an estimated $15 million in FY 2020 alone.

While we support federal initiatives to address the myriad challenges faced by rural hospitals, we cannot support a policy that blindly redistributes Medicare payments without addressing the underlying issues. The proposed policy would redistribute dollars that are currently used to address one issue, the high cost of labor in urban markets, to hospitals that face significant – but nonetheless unrelated – challenges. The proposed policy would, in turn, create new challenges for urban hospitals, including the ability to attract and retain top talent, without addressing any of the underlying disparities that necessitate the AWI in the first place.

At the same time, New Jersey's hospitals face many of the same challenges as their rural counterparts, including increased regulatory burden, a shift away from inpatient care and downward pressure on payments from public and private payers alike. New Jersey hospitals also operate within several of the nation's highest wage labor markets, and compete for their workforce with hospitals in other high-wage areas, such as New York and Philadelphia. **The proposed redistribution to the Medicare Area Wage Index will only serve to exacerbate these challenges while not actually addressing the challenges faced by hospitals located in rural and other nonmetropolitan areas.** Should CMS rescind this proposal and instead put forward a new policy that provides true support to the underlying issues rural hospitals face without punitive redistribution from high wage areas, NJHA would firmly support it.

Also included in the proposed rule is a change to the way the "rural floor" is calculated. The proposal removes urban to rural hospital reclassifications from the calculation of the rural floor wage index value beginning in FY 2020.

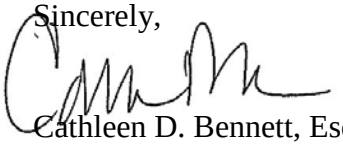
New Jersey is classified as an all-urban state, and therefore one of three states without a rural floor. Since the elimination of the imputed rural floor in the FY 2019 IPPS Final Rule, New Jersey has been shortchanged compared to 47 other states. The lack of a rural floor creates an anomaly which subjects hospitals in all-urban states to a financial and competitive disadvantage. **NJHA strongly supports a permanent fix to the geographic disadvantage faced by hospitals in New Jersey and other all-urban states.**

NJHA has consistently opposed marginal changes to the calculation of the AWI rural floor without resolving the underlying inequity faced by all-urban states. We continue to advocate for the current rules to remain in place until there is a broader solution. For this reason, **NJHA opposes the proposed elimination of urban to rural reclassifications for the purposes of calculating the rural floor wage index**. NJHA implores CMS to pursue a permanent solution to this disparity.

We strongly urge CMS to reconsider its proposed AWI redistribution and rural floor policies, and ask instead that you work with Congress to develop a more effective long-term solution for rural hospitals that does not disproportionately harm urban providers.

We thank you for the opportunity to provide these, and further, comments on this proposed rule and look forward to working with you in the future to find solutions that will benefit all hospitals.

Sincerely,



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