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The Honorable Mark Kirk

United States Senator

524 Hart Senate Office Building

Washington, DC 20510

Dear Senator Kirk,

On behalf of the Illinois Hospital Association, its 200 member hospitals and health systems, and the patients and communities they serve, we respectfully urge you to sign the Senate "Dear Colleague" letter that Senators Debbie Stabenow and Lisa Murkowski are circulating (copy attached). The letter is scheduled to close on July 18.

The letter asks the U.S. Centers for Medicare and Medicaid Services (CMS) to make changes to its proposed FY2012 Inpatient Prospective Payment System rule, specifically regarding the proposed coding offset. If implemented as proposed, the policy would cut hospital payments by 6.05 percent or \$6.3 billion nationally and by **\$308 million in Illinois**. This coding offset, along with other policy changes, will cause Illinois hospitals to receive less in Medicare reimbursement for the same services during FY2012 as compared to FY2011.

CMS is seeking to offset increases in hospital payments that it attributes to changes in coding or classification of a patient rather than the actual treatment of more complex and severely ill patients. However, as the Senate letter to CMS highlights, we believe that the proposed offset, as calculated by CMS, is flawed. CMS' analysis exaggerates the adjustment for coding and documentation and understates the true increase in costs related to the admission of more severely ill patients. It also fails to consider that as more Medicare patients are cared for in outpatient settings, the mix of more severely ill patients actually admitted to hospitals is higher (i.e., a higher acuity level/case-mix index).

In addition to our concerns about the methodology used by CMS, it is also important to note:

- These cuts would be in addition to payment reductions to hospitals under the health care reform law (\$8 billion to Illinois hospitals over 10 years); and
- They would be imposed in a program that already pays Illinois hospitals less than the cost of care (on average, less than 91 percent of cost).

For all of these reasons, we respectfully urge you to sign the Stabenow/Murkowski letter.

Sincerely,

Maryjane A. Wurth
President

Howard A. Peters III
Executive Vice President

cc: Shauna McCarthy