



IOWA HOSPITAL  
ASSOCIATION

*We care about Iowa's health*

June 17, 2022

The Honorable Chiquita Brooks-LaSure  
Administrator  
Centers for Medicare & Medicaid Services  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Room 445-G  
Washington, DC 20201

***RE: CMS-1771-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 2023 Rates; Quality Programs and Medicare Promoting Interoperability Program Requirements for Eligible Hospitals and Critical Access Hospitals; Costs Incurred for Qualified and Non-qualified Deferred Compensation Plans; and Changes to Hospital and Critical Access Hospital Conditions of Participation: Proposed Rule (Vol. 87, No. 90), May 10, 2022.***

Dear Administrator Brooks LaSure:

On behalf of Iowa's 117 community hospitals, the Iowa Hospital Association (IHA) appreciates the opportunity to submit the following comments on the Centers for Medicare & Medicaid Services' (CMS) proposed rule for the Fiscal Year (FY) 2023 Medicare Inpatient Prospective Payment System (IPPS).

Broadly, IHA supports CMS' proposals that seek to reduce regulatory barriers and reporting requirements that are burdensome or provide little or no value toward the goals of improving patient outcomes and reducing the overall cost of care. IHA also wishes to express support in the comments made by the American Hospital Association.

IHA has significant concerns over the proposed payment update for IPPS hospitals for FY 2023, which, together with the agency's proposed cuts to DSH payments and the dramatic increase in the proposed high-cost outlier threshold, would result in a net *decrease* in payments to IPPS hospitals in FY 2023 compared to FY 2022.

The financial situation for hospitals, particularly in rural areas of the country, has been a growing concern for many years, starting before March 2020 and certainly throughout the COVID-19 pandemic. Hospitals have been very grateful for the support provided by Congress and the Administration, which has been vital for Iowans to access health care consistently during a tumultuous time. Despite that support, hospitals and health systems continue to face increased expenses from supply chain disruption, workforce shortages, and labor and drug costs. These, along with reimbursement rates that do not adequately rise with increasing inflation and increases in bad debt and operating expenses, continue to put hospitals in a critical financial status. In Iowa from January-February 2022, the statewide average operating margin for hospitals was -4%. This equates to a loss of \$101 million for these two months and does not take into account the phased-in return of the Medicare sequester, which the IHA estimates Iowa hospitals will lose up to \$31.3 million by the end of the year without congressional action.

Iowa hospitals have also experienced an increase of over 30% in uncompensated care as well as policies being implemented to reduce the financial support available through drug payment programs. For almost two years,

drug manufacturers have been placing new policies on 340B eligible entities restricting the number of contract pharmacies and which contract pharmacies they can work with. Hospitals in Iowa have reported losing significant amounts of funds as a result of these policies, with one hospital reporting a loss of \$3.7 million. As CMS is well aware, the 340B Drug Payment Program helps ensure vulnerable communities have access to more affordable drug therapies, and these policies put hospitals at higher financial risk and impede hospitals' abilities to ensure patient's access to needed medications.

Adding more stress to hospitals in Iowa is a 12% increase in total expenses. Various elements have contributed to this concerning financial status including increases in payroll expenses and medical supplies, increases in the number of sicker patients seeking care, and decreases in payment and financial support. In order for hospital doors to remain open and services not close, it is imperative that Congress and CMS ensure that Medicare payments for acute care services more accurately reflect the cost of providing hospital care. IHA urges CMS to implement the changes below.

For FY 2023, CMS proposes a market basket update of 3.1%, less a productivity adjustment of 0.4 percentage points, plus a documentation and coding adjustment of 0.5 percentage points, resulting in an update of 3.2%. This update, as well as the FY 2022 payment update of 2.7%, are woefully inadequate and do not capture the unprecedented inflationary environment. This is because the market basket is a time-lagged estimate that uses historical data to forecast into the future. **When historical data is no longer a good predictor of future changes, the market basket becomes inadequate. Yet, this is essentially what has been done when forecasting the FY 2022 and 2023 market basket and productivity adjustments.** Indeed, with more recent data<sup>1</sup>, the market basket for FY 2022 is trending toward 4.0%, well above the 2.7% CMS actually implemented last year. Additionally, the latest data also indicate *decreases* in productivity, not gains.<sup>2</sup> We urge CMS to consider the changing health care system dynamics and their effects on hospitals.

**Specifically, IHA urges CMS to 1) implement a retrospective adjustment for FY 2023 to account for the difference between the market basket update that was implemented for FY 2022 and what the market basket is currently projected to be for FY 2022; and 2) eliminate the productivity cut for FY 2023.**

The current inflationary economy combined with the COVID-19 crisis has put unprecedented pressure on our hospital. Hospitals remain on the front lines fighting this powerful virus—their doctors and nurses continue to care for COVID-19 patients even if other industries have moved on from the pandemic. At the same time, hospitals continue to struggle with persistently higher costs and additional downstream challenges that have emerged as a result of the lasting and durable impacts of high inflation and the pandemic.

Specifically, historic inflation has continued and heightened the severe economic instability that the pandemic has wrought on our hospitals. Indeed, the financial pressures hospitals are experiencing are massive. In Iowa, hospitals have experienced an increase of 10.8% for supplies from January-February 2021 to January-February 2022. This concern is highlighted even more by the increase in the need of these supplies. During this timeframe, Iowa hospitals experienced an increase of 7.7% in total acute average length-of-stay. During the various peaks of COVID-19, patients delayed getting care and waited to be seen until their care became more emergent, resulting in longer hospital stays and increases in operating expenses per stay by 25%. Because this high rate of inflation is not projected to abate in the near term, and inflationary pressures are also likely to continue to work their way into wage expectations, it is critical to account for these challenges when considering hospital and health system financial stability in FY 2023 and beyond. **As such, the market basket updates for FY 2022 and FY 2023 are**

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1 IHS Global, Inc.'s (IGI's) forecast of the IPPS market basket increase, which uses historical data through third quarter 2021 and fourth quarter 2021 forecast.

2 U.S. Bureau of Labor Statistics. (May 5, 2022). Productivity and Costs, First Quarter 2022, Preliminary - 2022 Q01 Results. <https://www.bls.gov/news.release/pdf/prod2.pdf>.

**resulting in woefully inadequate reimbursements for our hospital. IHA asks CMS to implement, for FY 2023, a retrospective adjustment to account for the difference between the market basket adjustment that was implemented for FY 2022 and what the market basket is currently projected to be for FY 2022.**

**Additionally, IHA asks that CMS eliminate the productivity cut for FY 2023.** The measure of productivity used by CMS is intended to ensure payments more accurately reflect the true cost of providing patient care and effectively assumes the hospital field can mirror productivity gains across the private non-farm business sector. This has not been Iowa hospital's experience, particularly during the pandemic. **Therefore, we have strong concerns about the proposed productivity cut given the extreme and uncertain circumstances in which our hospital is currently operating. We urge CMS to eliminate the cut for FY 2023.**

Thank you for your consideration of our comments. We urge CMS to implement the changes outlined above in the FY 2023 final rule in order to ensure that Medicare payments for acute care services more accurately reflect the cost of providing hospital care. Please do not hesitate in reaching out to me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Erin Cubit".

Erin Cubit  
Senior Director of Government Relations  
Iowa Hospital Association