CMS Releases Inpatient PPS Final Rule: Good News, Bad News for CT Hospitals

On August 1, the Centers for Medicare & Medicaid Services (CMS) released the inpatient prospective payment system (IPPS) final rule for federal fiscal year (FFY) 2008. Of significance for Connecticut hospitals is the hospital wage index provision. The proposed rule appeared to include a reduction in the Connecticut rural floor value, which would have negatively impacted the wage index for Connecticut hospitals by over $75 million. The final rule does not include the potential change to the rural wage index floor contemplated in the proposed rule.

In comments to and meetings with CMS, CHA and its members sought clarification that the proposed IPPS rule was not designed to reduce the rural floor and, thus, Connecticut’s wage index. Connecticut hospitals are grateful that several members of Connecticut’s Congressional Delegation signed on to a letter urging CMS Acting Deputy Administrator Herb Kuhn to ensure that there would not be a reduction to the rural floor or wage index that would “impact on the ability of Connecticut’s hospitals to deliver high quality care.”

While the final IPPS rule contains good news on the wage index for Connecticut hospitals, it cuts Medicare payments for hospital inpatient services and calls for implementation of a new diagnosis-related group system over a two-year period. The rule includes a prospective “behavioral offset” cut of 1.2 percent in FFY 2008, 1.8 percent in FFY 2009, and 1.8 percent in FFY 2010 — an impact of $1.1 billion in FFY 2008 and almost $20 billion over five years. These rate reductions were proposed by CMS to offset anticipated “behavioral effects” caused by improved coding as hospitals adapt to the new DRGs. CHA objected to this rate reduction, which was based on scant evidence that did not directly relate to the proposed DRG system.

CMS has not changed its position and its only concession was to make the reduction over three years instead of two.

The CMS action on these cuts clearly contradicts the stated intent of Congress. Letters objecting to the original CMS proposal were signed by 269 representatives and 63 senators. In addition, the House of Representatives voted to restrict CMS from spending funds on prospective implementation of this payment cut. CHA and the American Hospital Association will continue to seek Congressional intervention to stop this unprecedented and unjustified rate reduction.

Further details of these and other provisions will be sent to CHA members.

The final rule will be published in the August 22 Federal Register; a display copy currently is available at http://www.cms.hhs.gov/AcuteInpatientPPS/downloads/CMS-1533-FC.pdf.

House of Representatives Approves Children’s Health Bill

Last night the House of Representatives passed, by a vote of 225 - 204, its expansion of children’s health coverage. The bill, H.R. 3162, Children’s Health and Medicare Protection (CHAMP) Act would expand the State Children’s Health Insurance Program (SCHIP) by $47.4 billion over five years, funded by an increase in the federal tobacco tax and cuts to the Medicare Advantage Program, and would add five million uninsured children to the current six million covered under the program. Every member of the Connecticut Congressional Delegation supported the CHAMP Act.

Speaking in support of the bill, Rep. Rosa DeLauro (D-Conn.) stated, “We all have a responsibility, a moral responsibility to make sure that our most vulnerable get the healthcare coverage they need. The State Children’s Health Insurance Program is perhaps the best social policy success story
of the last decade…..the CHAMP Act will take us in the right direction, reaching children most in need…”  Congressman John Larson said, “It is imperative that we have passed this bill because these are our children.”

In addition to re-authorizing the SCHIP for the more than six million children currently covered, the CHAMP Act: restructures the state allotments, along with increased funding amounts, providing states with the ability to cover more children while preventing the shortfalls that have recently plagued the program; relieves some of the administrative burdens being imposed on states by the citizenship documentation requirements for Medicaid eligibility that were instituted as part of the Deficit Reduction Act of 2005; prevents the scheduled reduction in physician payments; places limits on certain physician referrals to hospitals; provides regulatory relief for both inpatient rehabilitation facilities and long-term care hospitals; and proposes extensions and protections to preserve access to health services for Medicare beneficiaries who live in rural areas.

However, CHA is concerned about provisions in the CHAMP Act to reduce the market basket updates for Medicare inpatient and outpatient rates by 0.25 percent. This reduction, in addition to the cuts proposed by the Bush Administration in the inpatient prospective payment system rule (see related article), will negatively impact Connecticut hospitals.

The Senate continues to debate its bill reauthorizing SCHIP—The Children’s Health Insurance Reauthorization Act of 2007—and it is anticipated that there will be a vote by the end of the week.

CHA, in coordination with AHA, will continue to educate members of Connecticut’s Congressional Delegation regarding the negative impact these Medicare market-basket reductions will have on Connecticut hospitals and will advocate for a reauthorization of the SCHIP that does not contain these harmful reductions.

President Bush has threatened to veto both the Senate and House versions of the SCHIP reauthorization.

**Joint Commission Appoints New President**

The Joint Commission Board of Commissioners recently appointed Mark. R. Chassin, M.D., M.P.P., M.P.H., to lead The Joint Commission as President effective January 1, 2008. Dr. Chassin will be replacing Dennis O’Leary, M.D., who will become President Emeritus of The Joint Commission on January 1, 2008.

Currently, Dr. Chassin is the Edmond A. Guggenheim Professor of Health Policy and Chairman of the Department of Health Policy at The Mount Sinai School of Medicine, New York, and Executive Vice President for Excellence in Patient Care at The Mount Sinai Medical Center. Prior to joining Mount Sinai, Dr. Chassin served as Commissioner of the New York State Department of Health. He is a board-certified internist and practiced emergency medicine for 12 years. His background also includes service in the federal government and many years of health services and health policy research.

**Grissler Named E & Y Entrepreneur of the Year 2007 in the Metro New York Area**

Brian Grissler, President & CEO of Stamford Hospital, was recently named the recipient of the Ernst & Young Entrepreneur Of The Year 2007 Award in the Social Enterprise category in the Metro New York area. The Ernst & Young Entrepreneur Of The Year awards program honors entrepreneurs who have demonstrated excellence in such areas as innovation, financial performance, and personal commitment to their businesses and communities. Under Grissler’s leadership, Stamford Hospital has rebounded financially and has had an operating surplus for the fourth year in a row.

“On behalf of the Connecticut hospital community, we congratulate Brian on this Award,’’ said CHA President Jennifer Jackson. “We are delighted that Ernst & Young recognized Brian’s commitment to serving his community and his passion for building a strong, viable hospital to meet its evolving healthcare needs.”

**CHA Offers Live Teleconference on Best Practices for Managing Absenteeism**

In a live teleconference to be held on August 23, John G. Zandy, a partner at Wiggin and Dana and chair of its Labor, Employment and Benefits Department, will educate participants on how to effectively manage absenteeism in today’s workplace. He will explain how development of innovative strategies and programs that are legally sound and are consistent with organizational goals are essential to maintaining an effective and proactive attendance management program.

CHA is offering Best Practices for Managing Absenteeism While Complying with the ADA and FMLA, a live teleconference, on Thursday, August 23, 10:00 a.m. – 11:30 a.m. EDT. Organizations can use speaker-phone and computer projector to accommodate any number of staff, with one incoming call to the conference. The registration deadline is Thursday, August 16, 2007.

To register, or for more information, visit the education section of CHA’s website, or contact Catherine Rosich at rosich@chime.org.

**Save the Date for the 2007 CHA Nursing Leadership Forum**

The Connecticut Hospital Association (CHA) will host its seventh annual Nursing Leadership Forum on October 23, 2007, from 8:30 a.m. – 4:30 p.m. EDT. For registration or other information, contact Catherine Rosich at rosich@chime.org.