

Congress of the United States
Washington, DC 20515

June 26, 2019

The Honorable Alex M. Azar
Secretary
Department of Health & Human Services
200 Independence Avenue, SW
Washington, DC 20201

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
200 Independence Ave, SW
Washington, DC 20201

Dear Secretary Azar and Administrator Verma:

Thank you for taking the first steps to reform the Medicare Area Wage Index (Wage Index) and supporting rural healthcare. Over the course of more than thirty years under the Prospective Payment System (PPS), the Wage Index has progressively resulted in serious disparities in hospital reimbursement.

As outlined in the proposed rule, the Wage Index has perpetuated and exacerbated disparities between high and low Wage Index hospitals. Hospitals that are efficient in keeping their labor costs down have continued to see their Wage Index decline while hospitals with high costs have been rewarded with ever increasing payments. This is in direct contrast to Congress's goal when passing PPS of "reform[ing] the financial incentives hospitals face [by] rewarding cost/effective hospital practice".¹

Currently, the difference between the highest national Wage Index and the lowest in the continental United States is 1.2312. Thus, hospitals in our districts and states are being paid up to 2.83 times less than hospitals in other states for providing the same care while often facing similar real cost. Such large disparities were never intended by Congress.²

Declining reimbursement due to the increasing Wage Index disparity is not an academic issue. It is having a real-world, negative effect on rural healthcare and has contributed to the problem of rural hospital closure and provider consolidation, particularly in less affluent and underserved areas of the country. Implementing this proposal will protect access to care for Americans and help level the playing field for hospitals in areas of the country that need them the most. Reforming the Wage Index will ensure lifesaving treatments are available in rural and underserved areas across the country.

Congress intentionally gave the Secretary extremely broad authority to implement the Inpatient PPS, including the implementation and administration of section 1886(d)(3)(E). To that end, the actions taken in this rule to correct Wage Index disparities are consistent with Congress's grant and the Department's long held view of its authority.

¹ H.R. REP. NO. 98-25, at 132 (1983); S. REP. NO. 98-23, at 52 (1983) (Noting PPS was "intended to create incentives for hospitals to operate in a more efficient manner.").

² See, e.g. *Hospital Prospective Payment System Hearing Before the Subcomm. on Health, of the S. Comm. on Finance*, 98th Cong. 52 (1983) (statement of Richard S. Schweiker, Secretary, Department of Health and Human Services) (responding to Senator Baucus that the difference between payment to the highest and lowest reimbursed hospitals, accounting for wage differences, would be 40%).

By increasing the wage index for hospitals with a wage index value below the 25th percentile, the Administration has proposed a temporary and targeted approach to help hospitals who have been most disadvantaged. This influx of additional Medicare dollars to struggling, primarily rural hospitals will allow these hospitals to increase their employee wages and help to break the cycle of downward wage pressure that has resulted in progressively lower Wage Index values. This will help rebalance the current large disparity in Medicare payments and bring them more in line with Congress's original intent.

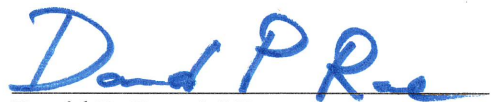
We also commend you in taking important steps to more fairly administer the Wage Index rural floor. As noted by MedPac³ and others, the rural floor has been a source of unjustified additional payment to certain hospitals. Removing urban to rural reclassifications from the calculation of the rural floor is a step that will help to correct this issue and more appropriately award Medicare payments.

In short, we applaud you for proposing important Wage Index reforms to help our hospitals meet the health care needs of their communities. We look forward to these proposals being finalized.

Sincerely,




Bradley Byrne
Member of Congress



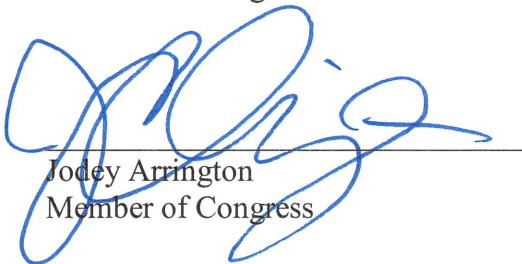
David P. Roe, M.D.
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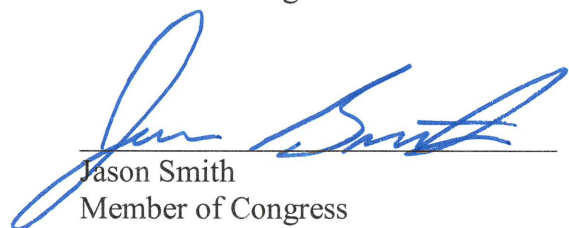
Terri Sewell
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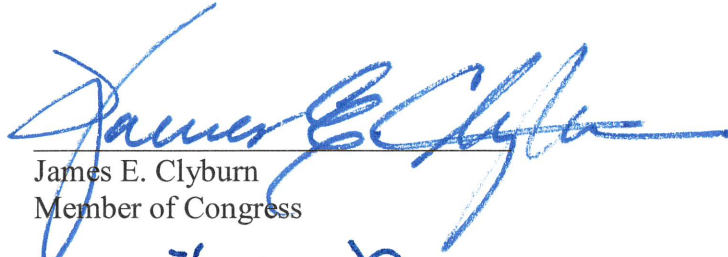


Jodey Arrington
Member of Congress

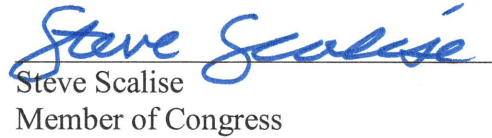


Jason Smith
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³ MedPAC, June 2007 Report to Congress: Promoting Greater Efficiency in Medicare. *Chapter Six: An Alternative Method to Computer the Wage Index.*



James E. Clyburn
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Steve Scalise
Member of Congress



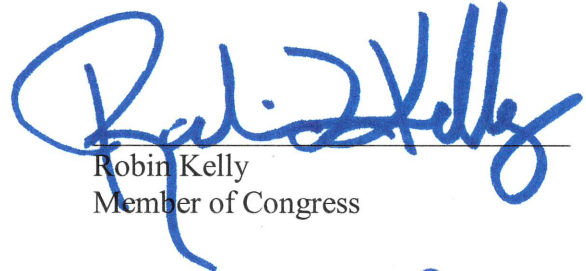
Jennifer Gonzalez-Colon
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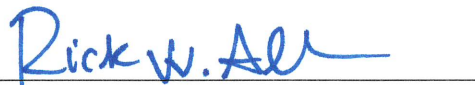
Robin Kelly
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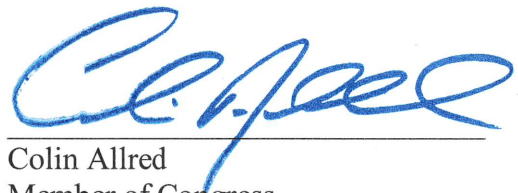
Glenn "GT" Thompson
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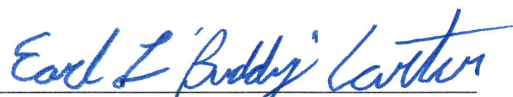
G. K. Butterfield
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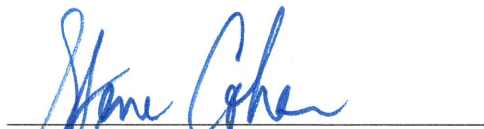
Rick W. Allen
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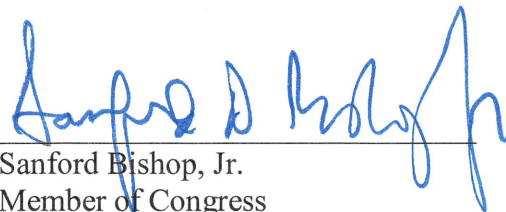
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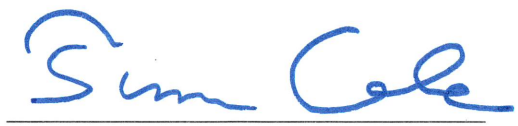
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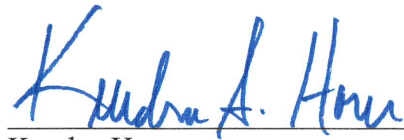
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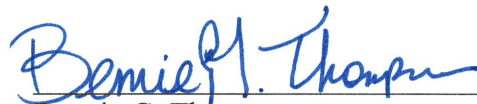
David B. McKinley, P.E.
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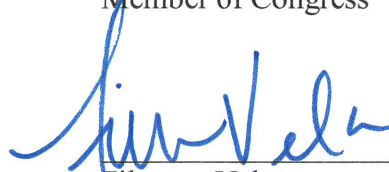
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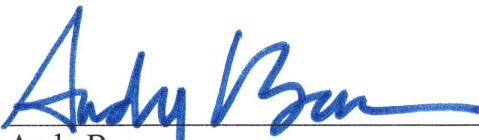
Filemon Vela
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Clay Higgins
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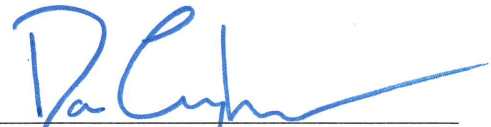
Andy Barr
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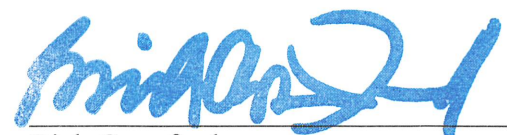
Michael Cloud
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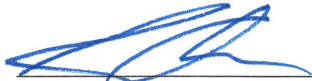
Dan Crenshaw
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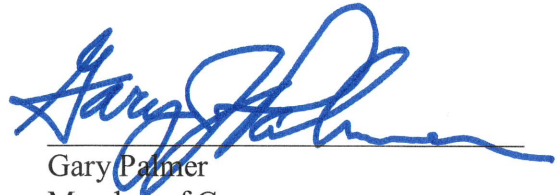
James Comer
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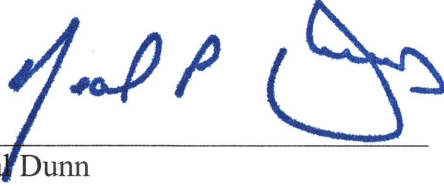
Rick Crawford
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Ralph Abraham, M.D.
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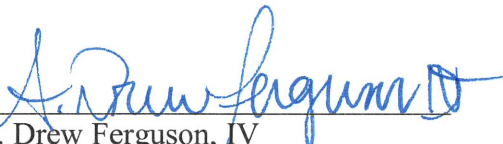
Gary Palmer
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Neal Dunn
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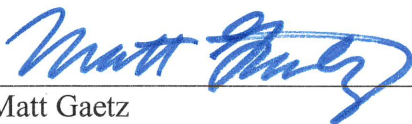
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A. Drew Ferguson, IV
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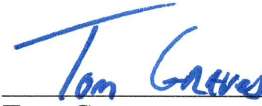
Matt Gaetz
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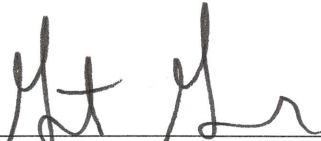
Louie Gohmert
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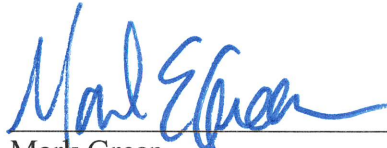
Lance Gooden
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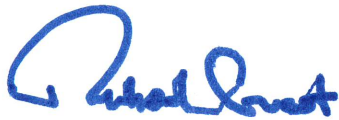
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Garret Graves
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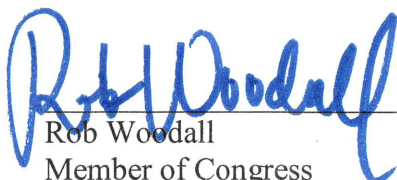
Mark Green
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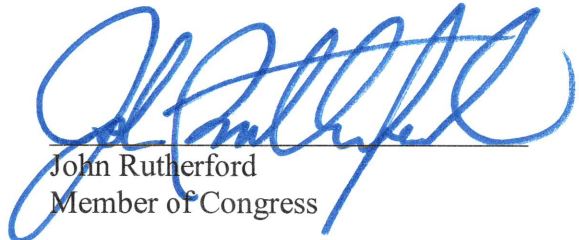
Michael Guest
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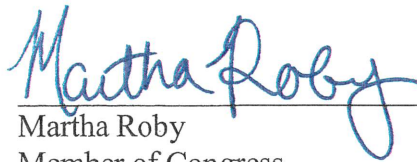
Brett Guthrie
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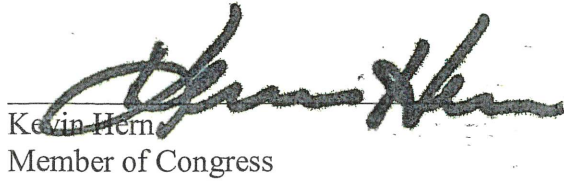
John Rutherford
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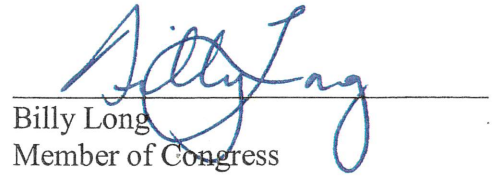
Martha Roby
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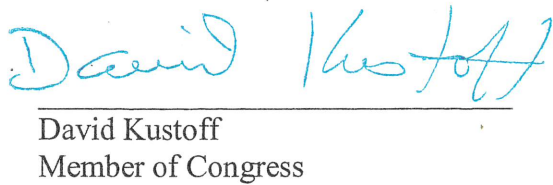
Mike Rogers
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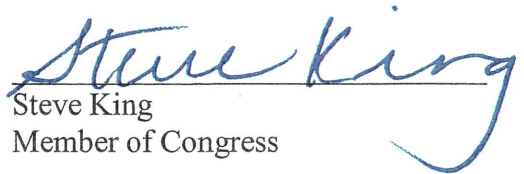
Kevin Hern
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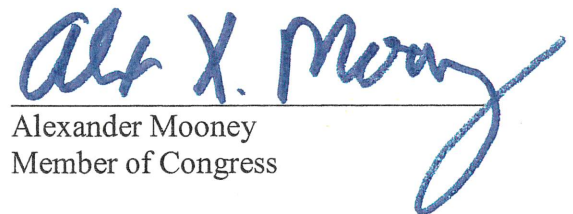
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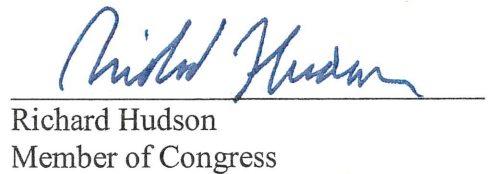
Steven Palazzo
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Alexander Mooney
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Ralph Norman
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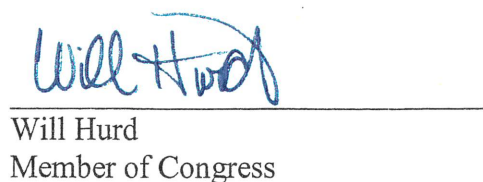
Richard Hudson
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Mike Kelly
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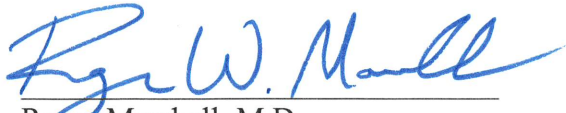
Mike Johnson
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Will Hurd
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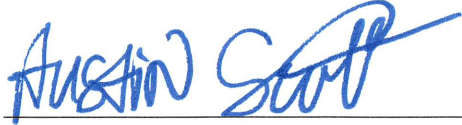
Bill Johnson
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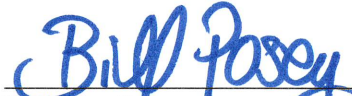
Roger Marshall, M.D.
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Carol D. Miller
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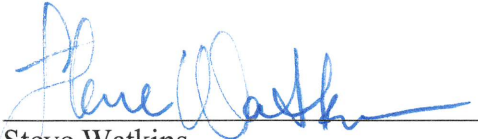
William Posey
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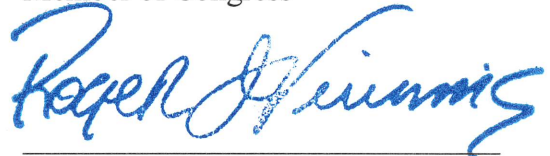
Steve Watkins
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Daniel Webster
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Bruce Westerman
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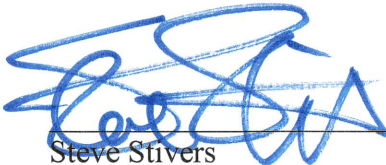
Roger Williams
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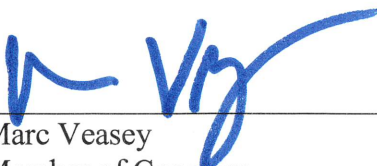
Steve Womack
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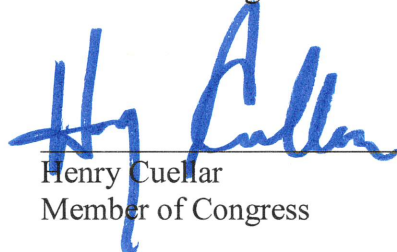
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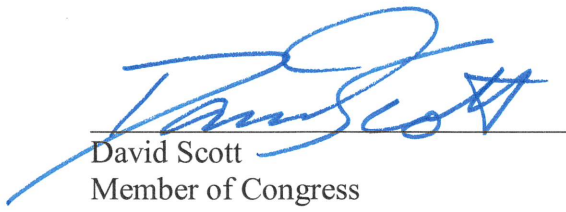
Vicente Gonzalez
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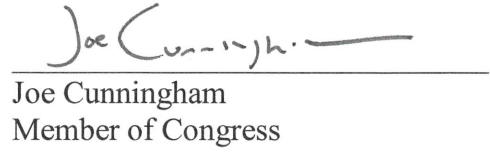
Marc Veasey
Member of Congress



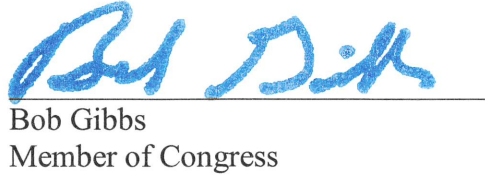
Henry Cuellar
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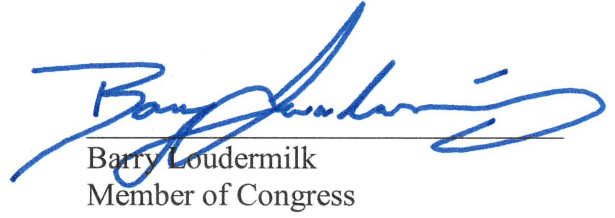
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