

JUN 24 2005

2

June 22, 2005



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Dr. Mark B. McClellan, M.D., Ph.D.
 Administrator
 Centers for Medicare and Medicaid Services
 Department of Health and Human Services
 Room 445-G, Hubert H. Humphrey Building
 200 Independence Avenue, S.W.
 Washington, D.C. 20201

ATTN.: CMS-1290-P

Re: Medicare Program; Inpatient Rehabilitation Facility Prospective Payment System for FY 2006; Proposed Rule, Federal Register, Volume 70, No. 100, Wednesday, May 25, 2005

Dear Dr. McClellan:

On behalf of our approximately 190 member hospitals or health care systems, the Illinois Hospital Association (IHA) is taking this opportunity to formally comment on the proposed rule establishing new policies and payment rates for inpatient rehabilitation services for fiscal year 2006. Consequently, the Illinois Hospital Association presents the following comments for your consideration:

PAYMENT PROVISIONS:

- **Implementation of an across the board reduction of 1.9%:** CMS has implemented an across the board reduction of 1.9% for all CMG payment rates; its rationale for doing so is that coding improvements, and not patient acuties, are driving increases in payments under the Inpatient Rehabilitation Facility Prospective Payment System (IRF-PPS). However, the agency has only recently announced its intent to implement an update of its "75% rule," which may impact the acuity levels of patients treated in inpatient rehabilitation facilities. IHA agrees with CMS when the agency states in the proposed rule, "...we chose the amount of the proposed reduction in the standard payment amount in order to recognize that IRFs' current cost structures may be changing as they strive to comply with other Medicare policy changes, such as the criteria for IRF classification commonly known as the '75 percent rule'." **It is for this reason that the Illinois Hospital Association recommends that CMS suspend the application of any reduction factor until the full impact of the 75% rule is analyzed.**
- **Implementation of a teaching adjustment:** IHA has long supported the argument that teaching facilities incur greater costs due principally to the intensity of services they provide their patients. **Therefore, IHA supports CMS in its development and proposed implementation of the teaching status adjustment.**

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- **Increase in the low-income patient adjustment:** IHA is pleased that CMS is using updated data as compiled by the Rand Corporation in order to revise its formula for compensating facilities that serve low-income patients. **Consequently, IHA supports CMS' proposal.**
- **Increase in the add-on for rural facilities:** Maintaining quality patient access to services in rural facilities has long been an objective of IHA; therefore, **IHA supports the increase in the rural add-on for payments to rural facilities providing rehabilitation services as proposed.**

WAGE INDEX CHANGES:

- **Use of Core-Based Statistical Areas Data:** The proposed rule incorporates the use of Core-Based, Statistical Areas (CBSAs) to establish the area wage indices for Medicare payments in fiscal year 2006. The CBSAs were the result of analyses by the Office of Management and Budget (OMB) based on Census 2000 information and were first used in the calculation of Medicare payments in FY 2005 as part of the Medicare acute inpatient payment methodology. According to this rehabilitation proposed rule, the revised wage indices would be effective for discharges occurring between October 1, 2005 and September 30, 2006. The labor component accounts for approximately 76% of the Medicare payment rate for rehabilitation services in FY 2006; this component is adjusted by the specific wage index. Consequently, any significant change in the index value from one year to the next can have serious financial repercussions on the organization, especially in FY 2006, considering the labor portion of the rate in FY 2005 was 72.5%. IHA has noted that the FY 2006 wage index is based solely on the values as set by the Census 2000, CBSA data.

In the proposed rule, CMS explains that it is not looking into either a hold-harmless or transition policy in its application of the CBSA wage index values. Nor does the agency seem especially concerned about urban facilities that may be classified as rural under the new CBSA definitions. Its justification in both instances is that according to its research, only a very small number of facilities is affected. **The Illinois Hospital Association strongly objects to the FY 2006 wage index values that are based solely on the CBSA data, due to the severe financial impact that some of these rehabilitation facilities will encounter.** For example, in FY 2005, Lake County was part of the Chicago Metropolitan Statistical Area; consequently, its Medicare wage index value was 1.0892. If Lake County were still part of the Chicago MSA, its wage index value for FY 2006 would be 1.0851 according to Table 1A of the proposed rules. However, for FY 2006, Lake County is established as a separate CBSA, and its proposed wage index value is 1.0342, a 5.3% reduction from the previous year. For providing Medicare services to rehabilitation patients in FY 2006, facilities in that area will be reimbursed at lower rates than in FY 2005. IHA has concerns that any payment reductions in any areas could lead to severe financial hardships, closing of some rehabilitation providers and ultimately, lack of access to this vital

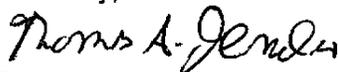
June 22, 2005

Page 3

service by Medicare beneficiaries. Therefore, IHA recommends that, at the very least, CMS incorporate the same hold-harmless methodology for the rehabilitation wage index that it applied to acute inpatient services in 2005; i.e., if the FY 2006 CBSA value results in a higher wage index than the MSA value, the CBSA index is fully implemented. However, if the FY 2006 CBSA value is lower than its MSA counterpart, then the FY 2006 wage index is a transitioned value consisting of 50% of the MSA value and 50% of the CBSA value. This approach is not only consistent with the "hold harmless" transition used in FY 2005 for acute inpatient services, but also gives those facilities that are disproportionately affected a one year time period to adjust to the new methodology.

Dr. McClellan, thank you again for the opportunity to comment. The Illinois Hospital Association welcomes the opportunity to work with your agency in the continued development and refinement of the Medicare payment system.

Sincerely,



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