

United States Senate

WASHINGTON, D.C.

April 22, 2013

Richard Umbdenstock
President and CEO
American Hospital Association
325 7th Street, N.W.
Washington, DC 20004-2802

Dear Rich,

We write to you today to address goal we share of reforming the Hospital Area Wage Index in Medicare. As you know, Section 1886(d)(3)(E) of the Social Security Act requires that the U.S. Department of Health and Human Service must adjust the standardized amounts “for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level.” This wage adjustment factor is a key federal calculation that has a direct impact on Medicare reimbursements to hospitals.

Many of the challenges and disparities of the current wage index are well known. We appreciate the American Hospital Association’s efforts to attempt to address ongoing problems associated with area wage index. However, for any AHA-endorsed solution to have credibility within Congress, there are three key factors to consider:

1. The solution must be reflective of the current federal budgetary challenges in a timely manner.
2. The solution should be balanced and represent the majority interests of all states.
3. The solution should reduce, rather than perpetuate or exacerbate, distortions in the funding formula.

As the sponsors of the Hospital Payments Fairness Act of 2013, we encourage you to take a look at our bipartisan legislation. With a total of 24 cosponsors, this legislation achieves the three goals outlined above. The legislation (1) is budget neutral, (2) adjusts current law in a manner that benefits the vast majority of states, and (3) removes a provision of law that unfairly penalizes a majority of states at the expense of the few.

Furthermore, our legislation is viable within the current political environment in Congress. The amendment version of our legislation received overwhelming support during the recent budget debate, passing by a 2-to-1 margin for a final vote of 68 to 31.

We agree with you that America's hospitals need wage index reform. We think a prudent starting point would be for AHA to support Hospital Payments Fairness Act of 2013. Therefore, we request the AHA:

1. formally endorse our legislation
2. officially present our legislation for discussion at the upcoming membership meeting of the AHA scheduled to be held April 28-May 1st.

We respectfully request a reply by April 26th. Thank you for your consideration. We look forward to hearing from you.

Sincerely,



Claire McCaskill
United States Senator



Tom Coburn, M.D.
United States Senator