

Dear Administrator Verma:

**Re: CMS-1716-P, Medicare Program; Inpatient Prospective Payment System for Acute Care Hospitals, Proposed Policy Changes and Fiscal Year 2020 Rates; Proposed Rule**

We are writing to you regarding the Centers for Medicare and Medicaid Services (CMS) proposed changes to the Medicare area wage index (AWI). Specifically, we urge CMS not to finalize its proposal to artificially increase the AWI for hospitals that fall in the lowest 25<sup>th</sup> percentile of wage areas at the expense of hospitals that are above the top 75<sup>th</sup> percentile of wages across the nation. This misguided policy is disproportionately harmful to the State of New York.

As you know, the Medicare AWI is a crucial adjustment applied to the reimbursement of hospitals that raises or lowers Medicare payments to account for geographic differences in labor costs. While there are some shortcomings in the current system, the changes put forth in the FY 2020 IPPS proposed rule ignore the core intent of AWI: to account for real differences in wages in each labor market. Instead, CMS' proposal would arbitrarily reweight AWI and unfairly redistribute funds across states without a sound policy rationale.

CMS argues that its proposed changes to AWI seek to help rural hospitals, yet, not one of New York's rural hospitals – who face the same fiscal challenges as rural hospitals across the nation – would see a benefit from the policy. Rather, states like New York with many hospitals that have legitimately high wages commensurate with market competition will be forced to transfer hundreds of millions in Medicare funding to a small handful of states.

This proposed policy is estimated to reduce Medicare inpatient and outpatient funding to New York's hospitals in both rural and urban communities across the state by \$53 million each year. Factoring in Medicare payments for patients with private Medicare Advantage coverage, the potential negative impact expands to nearly \$83 million annually.

If finalized, this proposal would threaten the financial viability of hospitals in New York, while doing nothing to address fundamental problems with the current AWI system. **We therefore ask that CMS not finalize these changes, and instead use its existing authority to find a practicable solution to issues in the current AWI system, rather than a proposal that harms hospitals in our communities and the patients they serve.**

Thank you for your thoughtful consideration of our concerns.