

**Congress of the United States**  
**Washington, DC 20515**

February 28, 2013

Ms. Marilyn Tavenner  
Acting Administrator  
Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
Hubert H. Humphrey Building, Room 445-G  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Ms. Tavenner:

As members of the New Jersey Congressional Delegation, we write to strongly urge the Center for Medicare and Medicaid Services (CMS) to make the Medicare imputed floor wage index provision permanent in the FY2014 inpatient prospective payment system (IPPS) rule.

As you know, the FY2005 IPPS final rule (69 FR 49109) created an imputed floor wage index for "all-urban" States, defined as "a State with no rural areas... or a State in which there are no hospitals classified as rural." Currently only New Jersey and one other state are classified as "all-urban" for Medicare payment purposes. This imputed floor provision corrected years of unequal treatment for New Jersey hospitals by providing them with a wage index floor similar to the one available to hospitals in the forty-eight states with rural hospitals. By establishing the imputed rural floor, CMS recognized the need to provide a fair and equitable payment to New Jersey hospitals as well as ensure uniformity throughout the Medicare hospital wage index system nationwide. This policy has been continued ever since, but is currently set to expire on October 1, 2013.

New Jersey, situated in close proximity to some of the most competitive labor markets in the country, competes for workers with both New York City and Philadelphia. Our state is also unique in that it is the most densely populated in the country, with approximately 1,200 residents per square mile. The average national population density is less than 90 people per square mile, while neighboring New York has a population density of 411 and Pennsylvania's is only 284. For employment opportunities, healthcare workers in New Jersey can choose from among 173 acute care hospitals located in the New York City and Philadelphia metropolitan areas. This discrepancy in population density, coupled with differing employment opportunities and employees' commuting needs, serve

to only intensify the competition between the region's hospitals for New Jersey's finite healthcare workforce. The continuation of the imputed rural floor is a vital step to ensure our state's hospitals are able to fairly and equitably compete for skilled health care workers with hospitals in our neighboring states, which are both able to benefit from the rural floor policy.

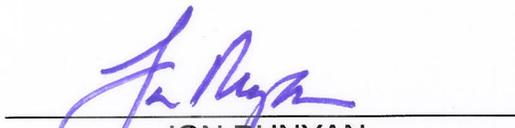
Finally, as required by the Affordable Care Act, the Secretary recently submitted a report to Congress highlighting recommendations for reforming the Medicare wage indexing system. While we maintain some reservations with the policy recommendations in this report, it serves to underscore the need to address the wage index system as a whole. As such, we ask that the imputed floor policy be maintained at least until such time as Congress is able to act to reform the entire wage index system. We think you will agree that ending this policy now only serves to put New Jersey hospitals at a severe competitive and financial disadvantage, while allowing hospitals in nearly every other state to continue benefiting from their rural floors.

We appreciate your consideration of this important issue as you work to finalize the FY2014 IPPS proposed rule. Should you have any questions or need any additional information about this policy's impact on our state, please do not hesitate to contact us.

Sincerely,

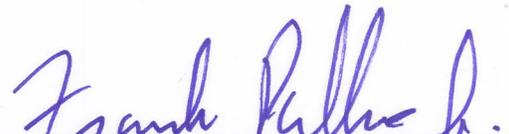
  
ROBERT MENENDEZ  
United States Senator

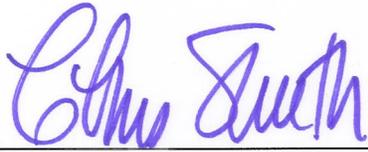
  
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JON RUNYAN  
Member of Congress

  
BILL PASCRELL, JR.  
Member of Congress

  
ROBERT E. ANDREWS  
Member of Congress

  
FRANK PALLONE, JR.  
Member of Congress



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CHRIS SMITH  
Member of Congress



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RUSH HOLT  
Member of Congress



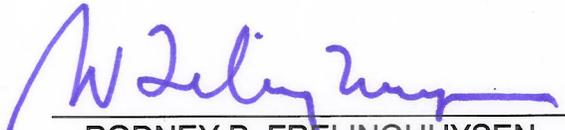
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SCOTT GARRETT  
Member of Congress



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ALBIO SIRES  
Member of Congress



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RODNEY P. FRELINGHUYSEN  
Member of Congress



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FRANK LOBIONDO  
Member of Congress



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LEONARD LANCE  
Member of Congress



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DONALD PAYNE, JR.  
Member of Congress