

Congress of the United States
Washington, DC 20515

June 14, 2013

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

RE: CMS-1599-P, Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Proposed Fiscal Year 2014 Rates; Quality Reporting Requirements for Specific Providers; Hospital Conditions of Participation; Proposed Rule (Vol. 78, No. 91), May 10, 2013

Dear Administrator Tavenner:

As members of the New Jersey Congressional Delegation, we write to thank you for recognizing the inequity in the Medicare wage index system for all-urban States and for proposing to extend the imputed floor policy for one additional year, through September 30, 2014 while your agency continues to explore potential wage index reforms. In addition, we support your proposal to maintain the unique formulas for computing the imputed floor values for the only two all-urban States in the country: New Jersey (per the "original methodology") and Rhode Island (per the "alternative methodology.")

As part of its rationale for implementing the imputed floor, CMS acknowledged the competitive disadvantage suffered by all-urban States in the absence of an imputed wage index floor. Referencing the existence of a single "predominant" labor market in New Jersey, CMS stated that such a situation, "forces hospitals that are not located in the predominant labor market area to compete for labor with hospitals that are located in that area." The agency further elaborated that, "because there is no "floor" to protect those hospitals not located in the predominant labor market area from facing continued declines in their wage index, it becomes increasingly difficult for those hospitals to continue to compete for labor." (69 Federal Register 49110, August 11, 2004)

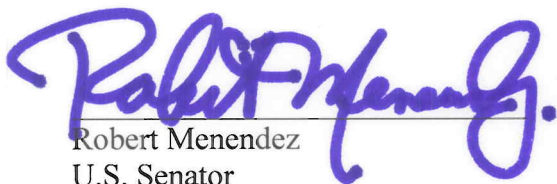
New Jersey's competitive disadvantage remains as significant today as it was when CMS originally acknowledged it in the above comments. New Jersey is arguably the most unique market in the country, particularly for hospital labor. Several factors contribute to this uniqueness, and together they create a complex competition for labor that does not exist elsewhere. These factors include the following:

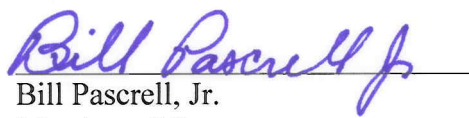
- Population Density – New Jersey is the most densely populated State in the nation, with 1,196 residents per square mile. In contrast, there are 87 residents per square mile when viewing the United States as a whole. Regionally, even neighboring States Pennsylvania and New York pale in comparison, with 284 and 411 residents per square mile, respectively.
- Commuting Ease – The entire State of New Jersey can be traversed from coast to coast in roughly one hour. With workers willing to travel longer and with greater access to highways and mass transit options, people are increasingly basing employment on who offers better wages. New Jersey hospitals compete for labor with hospitals in the first and fifth largest cities in the country: New York City and Philadelphia. Across these markets, 173 acute care hospitals compete for limited labor resources. The ease of commuting exacerbates an already-intense workforce competition and drives up the cost of labor in the New York City-New Jersey-Philadelphia market.
- Prevalence of Teaching Programs – New Jersey as a State is more akin to a major northeastern city in terms of its hospital teaching program density. Sixty-two percent of New Jersey hospitals have teaching programs. This is more than double the national average of 29 percent. One has to look to cities like Boston (63 percent) and Philadelphia (56 percent) to find regions with similar concentrations of teaching hospitals.


The imputed wage index floor policy creates a climate of symmetry, equity and consistency in the Medicare reimbursement process. As CMS continues to explore potential wage index reforms, preserving the current system is the sound course of action. Given the complexities of Medicare reimbursement and the many reforms to the healthcare delivery system underway as a result of the Affordable Care Act, providing hospitals with stability by keeping major provisions of the wage index system in tact through FY 2014 is a prudent policy decision.


Thank you for the opportunity to share our appreciation of your agency's vision and foresight in proposing to extend the imputed floor policy. We urge that you retain this crucial language upon publication of the FY 2014 inpatient PPS final rule this August.

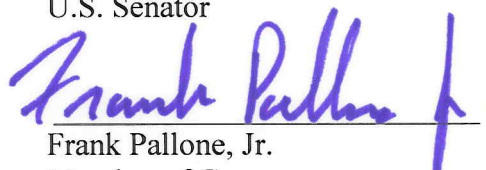
Sincerely,

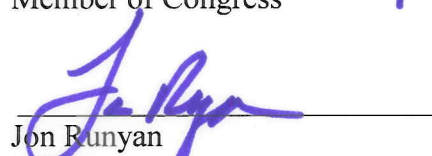

Robert Menendez
U.S. Senator

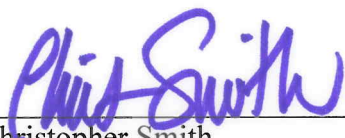

Bill Pascrell, Jr.
Member of Congress


Robert E. Andrews
Member of Congress


Jeffrey Chiesa
U.S. Senator


Frank Pallone, Jr.
Member of Congress

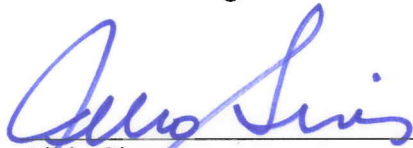

Jon Runyan
Member of Congress



Christopher Smith
Member of Congress



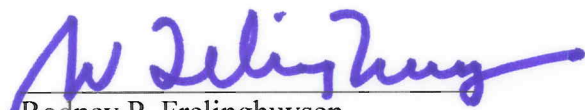
Rush Holt
Member of Congress



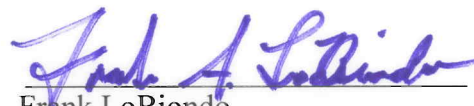
Albio Sires
Member of Congress



Scott Garrett
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Rodney P. Frelinghuysen
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Frank LoBiondo
Member of Congress



Leonard Lance
Member of Congress



Donald M. Payne, Jr.
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