

Congress of the United States
Washington, DC 20515

June 24, 2020

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-1716-P
P.O. Box 8013
Baltimore, MD 21244-1850

Dear Administrator Verma,

We write today to express our deep concern with a proposal included in the FY 2021 Inpatient Prospective Payment System (IPPS) proposed rule – a proposal that, if finalized as written, would reduce payments to New Jersey hospitals by as much as \$109 million per year. For the reasons outlined below, the New Jersey congressional delegation strongly urges your agency to reverse or otherwise delay the implementation of the Medicare area wage index (AWI) changes included in the proposed rule.

In the proposed rule, CMS proposes to use the Office of Management and Budget's (OMB) most recent core based statistical area (CBSA) delineations (OMB Bulletin No. 18-04) as the basis for determining the AWI adjustments for acute care hospitals. Under the proposal, four New Jersey counties – Middlesex, Monmouth, Ocean, and Somerset – would shift from their current CBSAs to a newly-created CBSA. Three of those counties (Middlesex, Monmouth, and Ocean) – along with Union, Hudson, Bergen, and Passaic – are currently part of the *New York City-White Plains, NY-NJ* CBSA. Under the proposal, these three counties would be moved to a newly created CBSA: *New Brunswick-Lakewood NJ*. This new CBSA would also include Somerset, which is currently part of the *Newark, NJ-PA* CBSA. These CBSA changes are also proposed for the FY21 Skilled Nursing Facility and Inpatient Rehab Facility rules, which will also negatively impact the state's ability to care for vulnerable seniors.

As a result of this proposed change, Middlesex, Monmouth, and Ocean counties would experience a nearly 17 percent decrease in their wage index. A recent analysis by the New Jersey Hospital Association (NJHA) projects that this proposal would result in a loss of more than \$100 million per year across the state. While the proposal includes a one-year transition policy, under which the agency would apply a five percent cap in FY 2021 on any decrease in a hospital's wage index compared to its wage index for the prior fiscal year (FY 2020), New Jersey hospitals would still lose millions in the first year, followed by much larger cuts in subsequent years.

It should go without saying that now is not the right time to make significant cuts to New Jersey's hospital payments. New Jersey, along with our neighbor New York, remains the epicenter of the COVID-19 pandemic in the United States. Over 150,000 New Jerseyans have tested positive for

the virus, representing roughly 1.7 percent of the Garden State's population, and 12,000 have died. Even as they continue to provide life-saving care, hospitals in New Jersey are on pace to lose approximately \$650 million in revenue each month due to a halt on elective procedures. At the same time, expenses increased nearly 11 percent in March and April – roughly \$214 million per month – as hospitals shifted their resources to expand capacity and staffing and increase inventory of personal protective equipment, ventilators, drugs and other essential resources.

Even before the unprecedented strain imposed by the coronavirus outbreak, New Jersey hospitals were already facing significant financial burden. In 2018, CMS eliminated the imputed rural floor, which was established in FY 2005 in order to ensure equitable payment policies for all-urban states like New Jersey. Without the imputed floor, New Jersey has been placed at a disadvantage as it competes for top health care workforce talent with neighboring health systems in New York and Philadelphia – the first and fifth largest cities in the country, respectively. Eliminating the imputed floor has led to a reduction in New Jersey hospitals' Medicare reimbursement by millions of dollars per year. Further reductions, like those included in the FY 2021 IPPS proposed rule, would compromise our state's ability to provide essential care and services to New Jersey residents.

Outside of the significant financial implications of the proposed rule, there is also the matter of precedent. In the preamble of the IPPS proposed rule, your agency acknowledges that it is unusual for CMS to adopt massive changes that would split, create, and/or eliminate numerous CBSAs; change rural counties to urban and vice versa; impact numerous hospital reclassifications; and other major changes between decennial censuses. Why then, in a time when hospitals throughout the country are struggling to make ends meet during a historic global pandemic, would CMS seek to cut essential payments to many of the health systems that have been impacted the most? The coronavirus outbreak has already reduced our hospital industry's profit margins from around four percent to as low as negative 30 percent. This is not the time to break with agency norms by harming vulnerable health systems.

The New Jersey congressional delegation appreciates the enormous stress that the COVID-19 public health emergency has placed on your agency; we acknowledge the role that your agency has played in responding to the virus. We request that you reconsider the proposed rule's CBSA changes and reinstate the imputed rural floor. We now ask that you recognize the essential role that New Jersey hospitals have played as well, and request that you not take actions that will severely hinder their ability to respond to future public health crises.

Thank you for your consideration on this critical issue. We look forward to working with you and your agency to develop fair payment policies that benefit all front line health care providers.

Sincerely,



Robert Menendez
United State Senator



Bill Pascrell, Jr.
Member of Congress



Cory A. Booker
United States Senator



Donald Norcross
Member of Congress



Albio Sires
Member of Congress



Josh Gottheimer
Member of Congress



Jefferson Van Drew
Member of Congress



Tom Malinowski
Member of Congress



Andy Kim
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Bonnie Watson Coleman
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Christopher H. Smith
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Mikie Sherrill
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Donald M. Payne, Jr.
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