

Dear Administrator Brooks-LaSure,

We write today to express our concern over the proposed payment updates included in the Centers for Medicare & Medicaid Services' (CMS) inpatient prospective payment system (IPPS) proposed rule for FY2023. We are concerned that the proposed payment updates do not fully account for the current cost of care and when coupled with other policy changes incorporated in the proposed rule, will result in an overall payment reduction for hospitals in FY2023. We request that CMS consider using its special exceptions and adjustments authority to update the proposed payment update in the final IPPS rule.

In the FY2023 proposed rule, CMS relies on historical data that does not predict the impact of the current elevated cost of providing care and the increased growth in expenses due to COVID-19 related supply chain issues and labor costs. Additionally, the productivity update included in the proposed rule assumes hospitals can emulate the general economy's productivity gains. However, in reality the uncertain conditions hospitals continue to operate under due to COVID-19 have resulted in productivity declines, not gains. The overall health care industry continues to struggle to regain its footing in a changed world.

Conditions like the ones currently facing hospitals require a heightened review of payment policy. We respectfully request that CMS use its special exceptions and adjustments authority to make a retrospective adjustment to account for the difference between the market basket update that was implemented for FY 2022 and the current projected FY2022 market basket. In addition, we urge CMS to consider holding off on the productivity cut for FY2023. These important changes will ensure Medicare payments for acute care services more accurately reflect the cost of providing hospital care today and for the coming year.

On behalf of our hospitals and health systems nationwide, we appreciate your attention to these concerns. We look forward to working with you on these important issues.