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Francis J. Crosson, M.D., Chairman  
Paul B. Ginsburg, Ph.D., Vice Chairman  
James E. Mathews, Ph.D., Executive Director

May 8, 2020

Seema Verma, MPH  
Administrator  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
Hubert H. Humphrey Building, Room 445-G  
200 Independence Avenue, SW  
Washington, DC 20201

**RE: File Code CMS-1731-P**

Dear Ms. Verma:

The Medicare Payment Advisory Commission (MedPAC) appreciates the opportunity to submit comments on the Centers for Medicare & Medicaid Services' (CMS's) proposed rule entitled, "Medicare Program; Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS)—Update for Fiscal Year Beginning October 1, 2020 (FY 2021)" published in the *Federal Register* 85, no. 72, 20625–20648 (April 14, 2020). We appreciate your staff's continuous efforts to administer and improve the Medicare payment system for inpatient psychiatric facilities (IPFs), particularly given the competing demands on the agency.

This rule proposes a payment update for IPFs in fiscal year (FY) 2021 and details a few additional proposals. We focus our comments on CMS's proposed revisions to the statistical area delineations used to construct the wage indexes.

**Adoption of the Office of Management and Budget's geographic area delineations to establish the wage indexes**

The payment rates for each IPF are adjusted to reflect the relative differences in area wage levels using geographic areas (called core-based statistical areas, or CBSAs) delineated by the Office of Management and Budget (OMB). Periodically, OMB revises the delineations and CMS adopts them in establishing the wage index values. On September 14, 2018, OMB published an updated set of delineations that included the creation of new CBSAs, the splitting of some existing CBSAs, and changes in the designation of some areas from urban to rural and from rural to urban. In previous adoptions of OMB's revised delineations, CMS has included a one-year transition that blended old and new wage index values to avoid large changes to the wage index values.

Consistent with prior actions, for FY 2021 CMS proposes to adopt the most recent delineations of geographic areas and include a one-year transition. This year, however, CMS proposes to take a

different approach to the one-year transition. CMS proposes to limit the reduction to any wage index value to 5 percent in one year, thus mitigating the impact on providers whose wage index values will decrease. CMS proposes to allow providers whose relative index values would increase to receive the full benefit of the increased wage index value. The adoption of the new wage index values would be done in a budget-neutral manner.

### *Comment*

The Commission supports the adoption of the new delineations of the geographic areas and the use of a one-year transition to mitigate the impact of changes to the wage index values. Regarding the limit on decreases to the wage index values, the Commission supports eliminating wage index changes of more than 5 percent in one year. However, the Commission believes the limit should apply to both increases and decreases in the wage index, not just to decreases. This way, no provider would have its wage index value increase or decrease by more than 5 percent for FY 2021. Consistent with CMS's proposed approach, the implementation of the revised relative wage index values (where changes are limited to plus or minus 5 percent) should be done in a budget-neutral manner.

The Commission also wishes to reiterate our June 2007 recommendations on wage index.<sup>1</sup> We recommended that the Congress repeal the existing hospital wage index and instead implement a market-level wage index for use across the IPPS and other prospective payment systems, including certain post-acute care providers. Specifically, our recommended wage index system would:

- use wage data from all employers and industry-specific occupational weights,
- adjust for geographic differences in the ratio of benefits to wages,
- adjust at the county level and smooth large differences between counties, and
- include a transition period to mitigate large changes in wage index values.

The wage index system we proposed would more fully reflect input prices, automatically adjust for occupational mix, reduce circularity, and reduce large differences between adjoining areas compared with the current system. Two research evaluations commissioned by the Secretary concluded that MedPAC's proposed wage index system would be an improvement over Medicare's current hospital wage index system.<sup>2</sup> We understand that eliminating the current wage index system, and the associated apparatus (such as the rural floors and reclassifications), would require Congressional action, but we urge the agency to consider our recommendations and make adjustments to the current system where it has the discretionary authority to do so.

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<sup>1</sup> Medicare Payment Advisory Commission, *Report to the Congress: Promoting greater efficiency in Medicare*. 2007, MedPAC: Washington, DC.

<sup>2</sup> Institute of Medicine. 2011. *Geographic adjustment in Medicare payment, Phase I: Improving accuracy. Second edition*. Washington, DC: The National Academies Press.

MaCurdy, T, T. DeLeire, K. Lopez de Nava. et al. 2009. Revision of Medicare wage index. Final report, Part I.

MaCurdy, T, T. DeLeire, K. Lopez de Nava. et al. 2010. Revision of Medicare wage index. Final report, Part II.

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Wage-Index-Files-Items/CMS1237065.html>.

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Administrator  
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## **Conclusion**

MedPAC appreciates your consideration of these policy issues. The Commission values the ongoing collaboration between CMS and MedPAC staff on IPFs, and we look forward to continuing this relationship.

If you have any questions regarding our comments, please do not hesitate to contact James E. Mathews, MedPAC's Executive Director, at 202-220-3700.

Sincerely,

A handwritten signature in black ink that reads "Francis J. Crosson M.D." in a cursive script.

Francis J. Crosson, M.D.  
Chairman

FJC/jmt