



**Minnesota Hospital Association**

June 12, 2006

Mr. Mark McClellan, M.D., Ph.D.  
Administrator  
Centers for Medicare & Medicaid Services  
Attention: CMS-1488-P and P2  
Room 445-G, Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Washington, DC 20201

***RE: CMS-1488-P and P2, Medicare Program; Proposed Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2007 Rates; Proposed Rule.***

Dear Dr. McClellan:

On behalf of the Minnesota Hospital Association's (MHA) 132 member hospitals and health care organizations, we appreciate the opportunity to submit comments to the Centers for Medicare & Medicaid Services (CMS) on the proposed rule related to the fiscal year 2007 inpatient prospective payment system (PPS).

This proposed rule contains the most significant changes to the diagnosis-related group (DRG) payment system since 1983. The rule creates a new version of cost-based weights based on a newly developed hospital-specific relative values cost center methodology for FY 2007. In addition, the DRG system refinements would change again for FY 2008, accounting for varying levels of patient severity. Additional policy changes would include new quality reporting requirements, rural hospital payments, and updated rates for outliers, wage index, and medical education.

While MHA supports improvements to the Medicare inpatient PPS payment system, there are a number of concerns about the proposed changes to the DRG weights and classifications. It is uniformly agreed that the system needs to be refined to provide for more equal reimbursement to treat all patients and conditions. However, the short time frame to analyze and prepare for the impact of the proposed changes is of great concern.

MHA supports a change to the cost-based payment methodology, but believes more work is needed to review all potential alternatives for a new cost-based weight system. Member hospitals would like more involvement with CMS to assist in determining the most appropriate methodology, process and timing for a new system.

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MHA supports a one-year delay in the proposed implementation of the DRG changes due to some of the initial data errors, weighting techniques and database inconsistencies revealed by various outside organizations.

MHA does not support a new DRG classification system at this time until the need for a new system can be demonstrated and the new system can be fully tested for operational issues which will result from such a major change. A major expansion of not only the number of DRGs, but also the variation between individual DRGs needs to be fully understood and proven to provide for more accurate reimbursement.

MHA does not support the need to have a major change to DRG weights in the first year and a major change to DRG classifications in the following year. If there is a proven, justifiable need to make both changes, MHA would support both changes implemented simultaneously to provide better predictability and less volatility.

MHA member hospitals are committed to working with CMS to develop and examine all the potential alternatives for a new inpatient PPS payment system. MHA understands the importance of collaboration to ensure a new payment system methodology is fair, workable, compliant, and meets the needs for all member hospitals.

The MHA appreciates the opportunity to comment on the proposed inpatient PPS rule. If you have any questions about our comments, please feel free to contact me or Ann Gibson, federal relations director, at (651) 603-3527 or [anngibson@mnhospitals.org](mailto:anngibson@mnhospitals.org).

Sincerely,

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