

July 18, 2003

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Dear xxxxx:

Like hospitals in other states, Mississippi's hospitals have struggled during the national recession. Because our state is so rural, many Mississippi communities depend on local hospitals for vital health care services and its impact to the local economy. Several of our rural hospitals have had to either cut services or close their doors. As a result, many of our residents are without adequate access to health care. There is also a devastating impact to the local economy when the community hospital closes. As Governor of Mississippi, I am extremely concerned about the health and welfare of our citizens.

After talking to providers and Mississippians across the state about the critical role our rural hospitals play from a health care perspective, as well as from an economic perspective, I urge you to provide much needed relief to our rural hospitals. H.R. 1 and S. 1 Medicare Prescription Drug Bills currently being debated in conference contain provisions that would provide relief to these struggling hospitals. I have attached a list of the provisions that we would find most helpful.

Thank you for your consideration as these provisions are debated. If I may be of any assistance, please do not hesitate to call me.

Very truly yours,

RONNIE MUSGROVE

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S. 1 *Inpatient PPS Update*- Maintains full market-basket update.

S. 1 *Standardized Amount*- Equalizes the standardized amount rural and small urban hospitals, including those in Puerto Rico beginning FY 2004.

S. 1 *Low Volume Adjustment*- Beginning in FY 2005, hospitals with less than 2,000 inpatient discharges would be eligible for up to a 25% increase in Medicare inpatient PPS payments if they are at least 15 miles from a similar hospital.

H.R. 1 *Medicaid Disproportionate Share Payments (DSH)*- This provision enhances Medicare DSH payments for small urban and rural hospitals by increasing payment cap to 10% (from 5.25%) effective in FY 2004.

H.R. 1 *Critical Access Hospitals (CAHs)*- Provides CAHs Medicare Inpatient and outpatient reimbursement at 102% of cost, effective FY 2004.

H.R. 1 *Critical Access Hospitals (CAHs)*- Expands cost-based reimbursement of no-call emergency room physician assistants, nurse practitioners and clinical nurse specialist beginning CY 2004.

H.R. 1 *Critical Access Hospitals (CAHs)*- Allows CAHs to receive periodic interim payments (PIP) for inpatient services beginning CY 2004.

S. 1 *Critical Access Hospitals (CAHs)*- Eliminates the requirement that a CAH be the only ambulance provider within 35 miles to receive cost-based reimbursement, effective FY 2005.

S. 1 *Critical Access Hospitals (CAHs)*- Permits CAHs to operate 25 swing beds or acute care beds by removing the requirement that only 15 of 25 beds be used for acute care at any one time, effective FY 2005.

S. 1 *Critical Access Hospitals (CAHs)*- Requires CMS to exclude new CAHs from the calculation of the hospital PPS wage index for cost reporting periods beginning January 1, 2004.

S. 1 *Critical Access Hospitals (CAHs)*- Allows CAHs to operate psychiatric or rehabilitation distinct part units with less than 25 beds.

S. 1 *Rural Community Hospital Demonstration Program*- Creates a 5-year demonstration program beginning no later than January 1, 2005 in four areas (two would include Kansas and Nebraska) where certain rural hospitals with less than 51 acute care beds would receive either PPS payment or reasonable costs plus a return on equity for inpatient, outpatient, and if elected, home health services. These facilities would be exempt from a potential 30 percent reduction in reimbursement for bad debt. The provision would be budget neutral. CAHs could qualify.

H.R. 1 *Outpatient*- Extends the hold harmless provision to rural hospitals with less than 100 beds and Sole Community Hospitals (SCHs) in rural areas for 2 years, in CY 2004 and CY 2005.

S. 1 *Outpatient*- Provides a 5% add-on for clinic and emergency room visits in rural hospitals with less than 100 beds and SCHs for CY 2005-CY 2007.

H.R. 1 *Home Health*- Provides an inflation update of market basket minus 0.4 percentage points for FY 2004-FY 2006.

H.R. 1 *Home Health*- Increases payments by 5% for rural providers for FY 2004 and FY 2005.

H.R. 1 *Home Health*- Demonstration project to clarify homebound criteria.

H.R. 1 *Home Health*- Changes payment cycle from fiscal year to calendar year starting in 2004.

H.R. 1 *Home Health*- Establishes a per episode copay (\$40 for FY 2004) with a copay exemption for low-income beneficiaries.

H.R. 1 *Home Health*- Requires MedPAC study on home health payment margins under PPS.

H.R. 1 *Home Health*- Temporarily suspends OASIS patient assessment for non-Medicaid/Medicare patients.