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August 31, 2009

Via Electronic Mail
Michelle Shortt, Director
Regulations Development Group
Office of Strategic Operations and Regulatory Affairs
Centers for Medicare and Medicaid Services
Department of Health and Human Services
Attention: Document Identifier/OMB
Control Number, Room C4-26-05, 7500
Security Boulevard
Baltimore, MD 21244-1850

Re: Centers for Medicare and Medicaid Services' (CMS) Agency Information Collection Activities: Proposed Collection; Comment Request Document Identifier: CMS–2552–10 and CMS–10097

Dear Ms. Shortt:

American Medical Systems ("AMS") appreciates the opportunity to comment on the Centers for Medicare and Medicaid Services' (CMS) Agency Information Collection Activities: Proposed Collection; Comment Request Document Identifier: CMS–2552–10 and CMS–10097.

AMS is a leader in medical devices and therapies to treat urological and gynecological disorders. The medical conditions our solutions address include male and female urinary incontinence, erectile dysfunction, prostate disorders, urethral strictures, excessive menstrual bleeding (known as menorrhagia), pelvic organ prolapse and fecal incontinence. Although not life-threatening, these disorders can greatly affect one's quality of life and social relationships.

AMS is pleased that CMS is committing to making the changes to Medicare's hospital cost reports to improve the accuracy of the data used to establish the Medicare inpatient and outpatient cost-based payment weights. These changes will begin to address charge compression for supplies--a systematic bias in the calculation of the Medicare payment weights and rates for certain hospital services. AMS supports CMS's proposal to address the problem of charge compression by establishing a separate cost center in the Medicare cost reports for implantable devices.

As noted in other public comment letters to CMS, AMS strongly recommends that CMS undertake outreach and educational activities for hospitals in order to ensure that cost report changes are implemented effectively and accurately. In addition, AMS recommends that CMS monitor the progress of these important changes to ensure that the more accurate cost-based weights will not be delayed beyond FY 2013.

Changes to Hospital Cost Report Form CMS 2552-10

In the July 2, 2009 *Federal Register*, CMS requested comments on changes to the Medicare Hospital Cost Report FORM CMS-2552-10. Changes were made to both the instructions and the cost report itself to address the problem of charge compression by establishing two separate cost centers in the report, one for medical supplies and a second for implantable devices.

AMS has the following specific comments on FORM CMS-2552-10:

1. CMS-2552-10 instructions do not include the recommended revenue codes that identify the charges to be grouped on Line 69 of the Cost Report, "Implantable Devices." The instructions should be modified to incorporate reference to the specific revenue codes that should be used for this line of the Cost Report. Furthermore, one of the revenue codes, 278 "Other Implants", should be broadened to allow CMS to incorporate other high cost devices that are not necessarily implantables.

2. The instructions assume that hospitals are unable to identify the direct costs of the chargeable supplies and report directly on Worksheet A <u>prior to</u> the overhead allocations of Central Supply to the supply cost centers based on the allocation statistic of supplies requisitioned by each department. CMS addresses the reporting process by stating, "This amount is generally not input on Worksheet A, but rather allocated to this cost center on Worksheet B from cost center 15 (central service and supply) based on the recommended statistic of charges requisitioned". AMS believes that supply costs can be directly assigned on Worksheet A. AMS further notes that CMS's proposal to recognize the supply costs on Worksheet B, which is used for the allocation of overhead, would understate the full costs of "high cost supplies." The more accurate approach would be to identify the direct expense for the supplies with an allocation of overhead costs prior to Column 15, Central Supply. Overhead costs such as Administration, Finance, Business Services, Quality, Infection Control and Corporate Compliance should be allocated to the supply cost centers prior to Central Supply. With this modification, both supply cost centers would be consistent with the direct and overhead allocations used for other patient service cost centers.

The comments translate into the following specific changes to the CMS 2552-10 instructions for Worksheet A:

1. **Line 68 of the instructions for CMS-2552-10 should be amended to read:**

   <u>Line 68</u>--Include the expense of medical supplies charged to patients. The direct expense of medical supplies charged to patients may be identified through the facility's general ledger or through a Worksheet A-6 reclassification of expenses. ~~This amount is generally not input on Worksheet A, but rather allocated to this cost center on Worksheet B from cost center 15 (central service and supply) based on the recommended statistic of charges requisitioned.~~

2. **Line 69 of the instructions for CMS-2552-10 should be amended to read:**

   <u>Line 69</u>--Include the expense of implantable devices charged to patients. The types of items includable on this line are high cost implantable and other high cost devices chargeable and traceable to individual patients. The direct expense of medical supplies charge to patients may be identified through the facility's general ledger or

through a Worksheet A-6 reclassification of expenses. ~~This amount is generally not input on Worksheet A, but rather allocated to this cost center on Worksheet be from cost center 15 (central services and supply) based on the recommended statistic of charges requisitioned.~~ Do not include low cost medical supplies on this line. ~~When determining what costs are reported in this costs center, provider should use costs association with implantable devices bearing revenue codes identified in the FR, Vol. 73, No. 161, page 48462, dated August 19, 2008.~~

AMS believes that these minor modifications to the Medicare Cost Report instructions, CMS outreach and educational activities, along with monitoring the will lead to improved payment accuracy for procedures with high cost devices.

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Thanks for the opportunity to provide comments on CMS–2552–10 and CMS–10097. If you have any questions regarding these comments or if you would like additional information, please contact Gary Goetzke at (952)930-6000.

Sincerely,

Gary Goetzke

Gary Goetzke
Senior Director
Health Care Affairs

Suzy Geroux

Suzy Geroux
Federal Government Programs Manager
Health Care Affairs