

The Honorable John A. Boehner

Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Please find enclosed the “Report to Congress: Plan to Reform the Medicare Wage Index,” which describes the current Medicare wage index system and presents an alternative methodology developed by the Centers for Medicare & Medicaid Services. The Affordable Care Act requires the Secretary of Health and Human Services to submit to Congress a plan that comprehensively reforms the wage index applied to the Medicare hospital inpatient prospective payment system. In developing this plan, the Secretary was directed to consider the goals for reforming the wage index that were set forth by the Medicare Payment Advisory Commission’s June 2007 report entitled, “Report to Congress: Promoting Greater Efficiency in Medicare.”

As stated in the enclosed report, the Commuting Based Wage Index (CBWI) addresses the goals of broad-based Medicare wage index reform. The CBWI is based upon actual employment patterns of hospitals and would reduce large wage index differences between nearby hospitals and more accurately reflect the true labor market forces of individual hospitals.

I am also sending a copy of this report to the President of the Senate.

Sincerely,

Kathleen Sebelius

Enclosure

The Honorable Joseph R. Biden, Jr.

President of the Senate
Washington, DC 20510

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