Presentation Medical Center

Rec'd. 6/29/06

SMP Health System

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June 26, 2006

Ms. Betty Gould
Regulations Officer - Division of Regulatory Affairs, Records Access & Policy Liaison
Indian Health Services
801 Thompson Avenue Suite #450
Rockville, MD 20852

Dear Ms. Gould:

This letter is in response the Federal Register, Vol. 71, No. 82 / Friday, April 28, 2006 regarding the proposed rule change Section 506 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 – Limitation of Charges for Services Furnished by Medicare Participating Inpatient Hospitals to Indians.

As the Chief Financial Officer of Presentation Medical Center (PMC) in Rolla, ND, I would like to specifically address the potential impact to Critical Access Hospitals (CAHs) under this proposed reimbursement methodology. PMC is a CAH facility located seven (7) miles from the Turtle Mountain Indian Reservation in Belcourt, ND. First, I would like to call your attention to the *CAH Financial Indicators Report* completed by the Flex Monitoring Team from the University of North Carolina at Chapel Hill. This report shows that North Dakota CAHs had a -2.07 Total Margin in 2003. It should be noted that the *Ingenix 2005 Almanac of Hospital Financial & Operating Indicators* reports that North Dakota hospitals experienced an average Total Margin of -0.2 in 2004.

Speaking on behalf of PMC, we feel that part of the reason for the negative total margin is due to Medicare reimbursing CAHs on only allowable Medicare costs. Medicare disallows CAH reimbursement for physician and other medical provider recruitment. As a facility who is actively attempting to recruit physicians to join our one Family Practitioner, this has affected us. During this fiscal year, we estimate that we will spend over $60,000 in non-reimbursable recruitment expenses. If the Indian Health Service (IHS) also starts reimbursing CAHs with a "Medicare-like rate," will they also be disallowing reimbursement for provider recruitment? Since many of the patients we serve are Native Americans, should not IHS also be responsible for reimbursement for physician recruitment?

Secondly, I vehemently disagree with the IHS claim that "Medicare-like rate" interim rate without a final settlement will not have a significant impact on hospitals. During the previous year, the reimbursement PMC has received for taking care of patients has increased by more than $600 per day for an Inpatient stay. This change in interim cost at

our facility has occurred in as little as three months. Please note the table below that identifies the PMC interim rate for FYE September 30, 2005 and three-month interim rate for the months ending December 30, 2005. These interim rates were determined by completing and filing Medicare Cost Reports.

	December 21, 2005	September 30, 2005
Inpatient	**$1,697**	**$1,077**
Swingbed	**$1,410**	**$ 959**
Outpatient	**71%**	**50%**

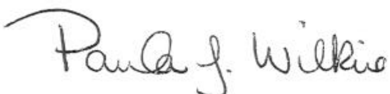
Without a final settlement, PMC could potentially lose more than $600 per day of costs for an Inpatient stay and 21% of costs for Outpatient services. Neither PMC, nor any hospital, should be responsible for subsidizing IHS.

In the study conducted by IHS, they are claiming that "IHS represents less than 2% of the rural and small rural hospitals total business" and thus "these regulations will not have a significant economic impact on a substantial number of small entities." Essentially this report is stating that is acceptable for some facilities to be economically harmed. How can a reimbursement policy be adopted that knowingly will cause harm to various facilities, particularly small rural facilities that provide care to their communities in addition to the Native American population?

I urge you to strongly reconsider the proposal to reimburse hospitals at a "Medicare-like rate." Small rural hospitals in North Dakota struggle for every dollar of reimbursement that we receive. It is this reimbursement that allows us to continue to provide health care services to our communities. With IHS paying hospitals at the "Medicare-like rate", the government will just be placing another burden on the small rural hospital who are just trying to survive.

Thank you for considering my comments. Please feel free to contact me at 701-477-3161 or at pwilkie@pmc-rolla.com if you have any questions or require additional information.

Sincerely,



Paula J. Wilkie
Chief Financial Officer

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