

We understand the need for the study required by section 554(b)(2) to resolve the longstanding issue of the appropriate basis for payments to hospitals for the costs of providing routine nursing care to Medicare beneficiaries.

We wish to call to your attention, however, factors that will affect our ability to carry out the study or to fully meet the study's stated requirements in the allotted time.

The study called for would require extensive onsite work sampling at a sample of the approximately 7,000 hospitals participating in the Medicare program, followed by analysis of the data acquired to determine the extent to which differential payment may be justified. Our preliminary estimate is that a study designed to measure, with an acceptable degree of reliability, the justifiable average aggregate differential (without breakdown of providers classified on the basis of type, size, location, patient characteristics, etc.) would require work sampling studies at about 75 hospitals on a 24-hour basis for about 14 days each. This effort would require about 300 people for about a 3-month period at a cost of about \$4 million.

If adequate resources are available to us, we can complete a study of this magnitude by April 1, 1981. Such a study could provide some insight into whether or not it is likely that any justifiable differential would vary by different classifications of providers (by size, type, location, patient characteristics, etc.); however, without additional data collection and analysis, the existence or amount of such varying differentials for different classifications of providers probably could not be rigorously confirmed or measured with an acceptable degree of reliability.

If we were to complete the study by April 1, 1981, therefore, it would be our intent to determine with an acceptable degree of reliability the justifiable average aggregate differential on a nationwide basis, and then consider, in consultation with the appropriate congressional committees, whether further study of the issue and refinement of the measurement of the differential should be undertaken.

Clearly, the study we would intend to do would be a major undertaking requiring considerable resources. The bulk of these resources would be expended in collecting data at a sample of hospitals, a task which we believe could be accomplished more economically and effectively with contract assistance under our direct supervision rather than with our own professional staff.

We believe we will not be able to carry out the study unless we are provided with additional resources. Funds to provide for contract assistance in such a major undertaking are not available within our fiscal year 1980 appropriation and are not included in the 1981 appropriation now being considered by the Congress. To complete the study by April 1, 1981, with contract assistance in data collection, funds to support such assistance would have to be available no later than the start of fiscal year 1981, preferably earlier. Whether such funding should be provided through our appropriation or otherwise is a matter for your consideration. We will cooperate in any way that we can.

Again, we want to emphasize that we intend to rely heavily on contract assistance to get this job done. To do otherwise would require us to assign about 300 members of our professional staff (about 15 percent of our total field professional staff) to this one study for the approximately 3-month period (October-December 1980) during which the data collection would be carried out. We believe this would unacceptably disrupt our many other efforts in support of the needs of the Congress. With the requisite resources, we will try to be as responsive as possible within the time prescribed for completing the required study.

We are sending similar letters today to the chairmen on the enclosed list.

Sincerely yours,

Signed Elmer B. Staats

Comptroller General
of the United States

Enclosure

The Honorable Robert N. Giaimo
Chairman, House Committee on the Budget

The Honorable Ernest F. Hollings
Chairman, Senate Committee on Budget

The Honorable Jamie L. Whitten
Chairman, House Committee
on Appropriations

The Honorable William H. Natcher
Chairman, Subcommittee on Labor,
Health, Education and Welfare
House Committee on Appropriations

The Honorable Adam Benjamin
Chairman, Subcommittee on
Legislative Branch
House Committee on Appropriations

The Honorable Warren G. Magnuson
Chairman, Senate Committee
on Appropriations

The Honorable Warren G. Magnuson
Chairman, Subcommittee on Labor,
Health, Education, and Welfare
Senate Committee on Appropriations

The Honorable Jim Sasser
Chairman, Subcommittee on Legislative
Branch
Senate Committee on Appropriations

The Honorable Al Ullman, Chairman
House Committee on Ways and Means

The Honorable Russell B. Long
Chairman, Senate Committee on Finance