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December 10, 2007

Kenneth Burdick
President
UnitedHealthcare
9900 Bren Rd. E 300 Opus Center
Minnetonka, MN 55343

Dear Mr. Burdick:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, I want to communicate directly with you about the damage that UnitedHealthcare's new policy on admission notification is doing to the relationship between hospitals and your company.

Hospitals across the country have raised serious concerns that their state, regional and metropolitan associations have raised with both your regional organizations and their state insurance commissioners. And those state insurance commissioners are beginning to weigh in, echoing the same concerns, and raising the question of compliance with state insurance regulations. United has received multiple requests, including from the Kansas and New York insurance commissioners, to postpone implementation of the new policy until these issues can be worked through, but your company decided to proceed with implementation on December 3 with only minor revisions.

To be clear, there are several issues of concern:

- *The new policy was imposed on contracting providers without prior consultation.* The magnitude of the policy change and the impact it will have on hospital payments and administrative costs is such that it should have been discussed with contracting providers in advance. United claims that it “partners” with hospitals to deliver services to its enrollees. But real partners collaborate.
- *The new policy imposes significant additional administrative costs on hospitals.* Counter to the prevailing industry-wide standard of admission notifications on the next business day, the new policy requires that hospitals notify United within 24 clock-hours. The revisions issued on November 30 have extended the deadline for meeting this



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requirement to April 1 for weekend admissions, but the December 3 start date still applies to weekdays and holidays. This is only a short postponement. The result of the change will be the additional cost of adjusting weekend and holiday staffing in order to avoid denied payment for medically necessary and covered care. And the penalties for even the slightest delay are severe – when the notice occurs between 24 hours and 72 hours of admission, the daily payment rate for each day preceding the notice is reduced by 50 percent. If the notice is provided after 72 hours or not at all, payment will be reduced by 50 percent for the entire admission.

- *The new policy imposes penalties if hospitals do not sign an interface agreement to notify United of inpatient admissions electronically.* While the November 30 revisions postponed the deadline for an agreement from April 1 to July 1, the penalty of a 50 percent reduction in the hospital's payment seems excessive. Movement to more electronic transactions to reduce paper and speed processing is an appropriate goal, but we are hearing from our members that there are a variety of technical problems that remain unresolved.

The ill-will generated by this policy and the way it was implemented have been referred to by some of our members as “bullying tactics.” Many question whether the changes merely create additional opportunities for administrative denials.

As we move into the future, it is imperative that all stakeholders work together to deliver the right care at the right time to everyone in this country. We urge you to halt implementation of the new policy, engage in a consultative process with your contracting hospitals or their representatives, and develop a policy that is workable for all in ways that improve patient care coordination.

Sincerely,

Rich Umbdenstock
President and CEO

cc: Stephen Hemsley, President, UnitedHealth Group
Samuel Ho, M.D., EVP and Chief Medical Officer, UnitedHealthcare