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December 19, 2008

The Honorable Jason Altmire
United States House of Representatives
332 Cannon House Office Building
Washington, DC 20515

Dear Representative Altmire:

On behalf of our nearly 5,000 member hospitals, health systems, and other health care organizations, and our 37,000 individual members, the American Hospital Association (AHA) is pleased to support H.R. 7067, the Quality FIRST Act, a bill to provide for a program of quality measurement and reporting and for the use of performance-based payment within Medicare for inpatient services.

Hospitals are committed to improving the quality of the care they deliver every day. They are committed to providing safe, effective, patient-centered, timely, efficient, and equitable care to all patients.

Payers, both public and private, are considering and testing the use of incentive payments to reward hospital performance, sometimes referred to as “pay for performance” approaches. The goal of these plans is to explore how payment adjustments and incentives can be structured to improve quality. And hospital leaders believe that the concept of rewarding performance excellence and improvement holds merit.

Your bill reflects many of the principles that hospitals have been discussing. H.R. 7067 would reward both excellence and improvements in quality, providing incentives for high performers to continue their excellent performance, and for all hospitals to adopt more quality improvements. It would use quality measures that are evidence- and consensus-based, statistically valid, and developed in an open and transparent process. These measures would include only those endorsed by the National Quality Forum (NQF), and recommended by the Hospital Quality Alliance (HQA).

Moreover, your approach would be phased in incrementally, and would contain periodic assessments and an ongoing evaluation process to minimize unintended consequences



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and give Congress an opportunity to fine-tune the process. In addition, your approach recognizes that multiple scores for various conditions are needed for a successful incentive payment structure, rather than a single overall score.

Most importantly, all the money withheld from hospital payments to fund the pool available for performance-based payments and bonus payments would be paid out to hospitals as part of that pool. This program would not be based on cuts in overall hospital payments.

The one area where we have a significant concern is the size of the initial pool of money you provide to start this program. H.R 7067 ultimately calls for 2 percent of all inpatient payments to be diverted to make up the payment incentive pool. Hospitals feel that a 1 percent pool would be a more appropriate size, at least until the consequences of this program for hospitals, both intended and unintended, can be determined.

We look forward to working closely with you in the 111th Congress to further refine your bill and to move toward a program to reward performance excellence.

Sincerely,

Rick Pollack
Executive Vice President