

March 23, 2010

Richard Umbdenstock
President and Chief Executive Officer
American Hospital Association
325 Seventh Street, NW
Washington, DC 20004-2802

Re: UnitedHealthcare Admission Notification Program Update

Dear Mr. Umbdenstock:

We wanted to take this opportunity to provide you with a status update regarding the deployment of reimbursement reductions associated with UnitedHealthcare's Admission Notification protocol. As you will recall, during our discussion on October 30, 2009 with Ellen, we described our intention to continue with the planned deployment of reimbursement reductions associated with admission notification.

The planned change we discussed would impact hospitals in states where reimbursement reductions are currently applied when notification is received more than 72 hours after admission. The change would result in reimbursement reductions applying in these states when admission notification is received more than 24 hours after weekday admissions or after 5 p.m. on the business day following weekend/federal holiday admissions.

Our statistical analysis has demonstrated that timely notification of inpatient admissions is 15% better in hospitals where reimbursement reductions related to admission notification have been fully implemented. Such timely notification has triggered deployment of our care management programs, which has led to statistically significant improvements in average hospital lengths of stay and hospital readmission rates. Although we believe that these programs have improved the quality and cost of care provided to patients, our shared stakeholder, we acknowledge that some hospitals continue to be concerned about their ability to notify us of inpatient admissions in a timely manner.

As a result of feedback from our network hospitals, your association and state hospital associations, we have decided to not proceed with the planned changes to reimbursement reductions. Instead, reimbursement reductions will continue to be applied as they have been for more than a year. Specifically:

- Reimbursement reductions will continue to apply to hospitals in most states when admission notification is received more than 72 hours after admission;
- Reimbursement reductions will continue to apply in Arizona, Ohio, Missouri, Virginia and the District of Columbia when admission notification is received more than 24 hours after admission;
- Reimbursement reductions do not currently apply to hospitals who are actively working toward implementation of the 278N electronic notification transaction;
- Reimbursement reductions do not apply to maternity admissions;
- As communicated in November and in direct response to hospital feedback, notification of admissions occurring on a weekend or federal holiday will be considered timely if received by 5pm on the next business day.

- Admission notification of weekday admissions continues to be required within 24 hours of admission – regardless of how the reimbursement reductions are applied.

We will continue to work with hospitals, state hospital associations, the AHA and others to further understand and resolve the concerns of the hospitals and help them increase their rate of notification within 24 hours of admission. As our care management programs continue to evolve, we welcome suggestions on how we can work together to address the cost and quality challenges reflected in our current health care delivery system.

Thank you for your ongoing support of our efforts to impact medical costs and improve health care quality for the patients your member hospitals serve and the customers we serve. Please share this information with the state hospital associations and let us know if you have questions or need additional information.

Sincerely,



Sam Ho, M.D.
Executive Vice President, Chief Medical Officer
UnitedHealthcare



Michael O'Boyle
President
UnitedHealth Networks

cc: Ellen Pryga