American Hospital Association

FACT SHEET:

Permanent Market Basket Cut

- The AHA strongly opposes a permanent annual reduction to the Medicare inpatient Market Basket update that could cut hospital payments across all services by an estimated $150 billion or more over 10 years.

- Included in the House draft health care reform bill, the permanent cut comes as a “productivity adjustment” that reduces annual inpatient, outpatient, inpatient rehabilitation (IRF), long-term care hospital, psychiatric hospital, skilled nursing facility (SNF) and home health agency market basket updates by an adjustment for "productivity growth" (estimated at 1.3% for FY 2010). In addition, SNF and IRF payments would be frozen for FY 2010, and home health payments would receive a coding adjustment and freeze, for a 5.5% reduction in 2010.

- The proposed permanent cut is on top of an additional $41 billion in cuts over 10 years in the FY2010 Medicare proposed rule for inpatient PPS.

- Medicare payments to hospitals are already severely underfunded. The Medicare Payment Advisory Commission (MedPAC) projects hospitals will have a *negative* 6.9 percent Medicare margin in 2009 – down from a *positive* 6.3 percent Medicare margin in 1999 – the lowest level in more than a decade.

- According to AHA annual survey data, a staggering 58 percent, or 2,840 hospitals, lost money serving Medicare patients in 2007.

- Other potential cuts that could exacerbate hospitals’ financial health include penalties for hospitals not recognized as “meaningful users” of health information technology, and “pay-for-reporting” penalties related to the quality measures reporting program.