American Hospital Association
Federal Update for Low-Volume Small or Rural Hospitals

Joanna Hiatt
Senior Associate Director, AHA Policy

Lisa Kidder
Vice President, AHA Legislative Affairs
Today’s Agenda

Advocacy
– Health Reform – rural provisions
– AHA agenda for rural hospitals
– Extenders
– Other legislation
– Appropriations

Regulatory Policy
– FY 2010 IPPS final rule
– CY 2010 OPPS proposed rule
– HIT
– Other regulatory issues
America’s Healthy Future Act of 2009

Chairman’s Mark

Rural Protections

• Extend Medicare Rural Hospital Flexibility Program
• Extend Hospital Outpatient Department Hold Harmless for Small Rural Hospitals; Extend and Expand Hospital Outpatient Department Hold Harmless for Sole Community Hospitals
• Extend Reasonable Cost Reimbursement for Laboratory Services in Small Rural Hospitals
• Extend Rural Community Hospital Demonstration Program
• Extend Medicare Dependent Hospital Program
• Temporary Improvements to the Medicare Inpatient Hospital Payment Adjustment for Low-Volume Hospitals
• Revisions to the Demonstration Project on Community Health Integration Models in Certain Rural Counties
• MedPAC Study on Adequacy of Medicare Payments for Health Care Providers Serving Rural Areas
America’s Healthy Future Act

Chairman’s Mark

Other Rural Hospital Relevant Provisions

• Primary Care/General Surgery Bonus – HPSA consideration
• Redistribution of Unused GME slots to Increase Access to Primary Care and Generalist Physicians – Rural < 250 beds exempt
• Proposal on Development of a National Workforce Strategy – Including Rural Populations
• Extension of Floor on Medicare Work Geographic Adjustment (GCPIs)
• Extension of Treatment of Certain Physician Pathology Services
• Extension of Increased Payments for Ambulance Services
• Reinstatement of Rural Home Health Payment Adjustment
America’s Healthy Future Act

Chairman’s Mark

Other Rural Hospital Relevant Provisions

- Extend Section 508 Geographic Reclassifications
- Plan to Reform Medicare Hospital Wage Index
- National Pilot Program on Payment Bundling – Rural consultation
- Reducing Avoidable Hospital Readmissions – Rural consultation
- Medicare Commission
- Limitation on Medicare Exception to the Prohibition on Certain Physician Referrals for Hospitals
- Requirements for Section 501(c)(3) Hospitals exempt from state and local taxes

American Hospital Association
America’s Healthy Future Act

Chairman’s Mark
Rural Amendments Accepted

- CAH Method 2 101% outpatient fix
- Low volume adjustment “correction” 2000 down to 1500 Medicare Part A discharges
- Restore ratios to determine on geographic reclassifications until HHS study
- Bonus payments for “super rural hospitals extended until 2012
Rural Hospital Advocacy Agenda

- The Rural Hospital Assistance Act
- The 340B drug discount program
- CAH payments for CRNA services
- Reinstate necessary provider
- Extend and expand the RCH demonstration program
- Extend expiring MIPPA provisions
- CAH Flexibility Act
Rural provisions

- Extends Section 508
- Extends 3 percent rural ambulance add-on
- Extends grandfathers of TC component for pathology services
- Extends 340B program to inpatient drugs & allows CAHs, SCHs, and MDHs to participate
- IOM study on geographic adjusters w/ $8 billion in new funding for two years (wage Index/GPCI)
- Value study w/ HHS fast track authority
- CAHs are included in readmissions policy
Sec. 121: Extends the FLEX program through 9/30/2010
Sec. 124: Extends 508 reclassifications thru 9/30/2009
Sec. 136: Extends direct billing for physician pathology services by independent labs thru 9/30/2009
Sec. 146: Reinstates the add-on payment for ground ambulance services and a hold harmless for air ambulance regions thru 9/30/2009
Sec. 147 Extends OPPS hold harmless for small rural hospitals and SCHs under 100 beds thru 12/31/2009
Small or Rural Hospital
Regulatory Policy
• Mandated market basket update of 2.1% (if submit data on 43 quality measures)
  – Otherwise, MB-2.0 or 0.1% update
• After all changes, CMS projects an average *increase* for hospitals of 1.6%
  – Up from projected average *decrease* of 0.5% in proposed rule.
IPPS Documentation and Coding Offset

- The final rule does NOT implement the 1.9 percent cut for changes in documentation and coding initially proposed by CMS.

- This represents an increase of $2.2 billion in payments to hospitals in FY 2010.
  - CMS also did not adopt its proposed coding cuts to SCHs, MDHs, and Puerto Rico hospital rates.
  - Rather, CMS will take a “more prudent approach” by DELAYING implementation of the documentation and coding cut to allow for a complete analysis of FY 2009 claims, which will be available in FY 2011.
• CMS rebased/revised the IPPS market basket
  – New base period is FY 2006
  – Changes certain categories and price proxies
  – Updates labor-related share: reduced from 69.7% to 68.8%
  – Hospitals with wage indices of less than 1.0 keep a labor share of 62%
IPPS Quality Reporting

- For 2010, report 43 measures of quality of care
- For 2011, CMS finalized 4 new measures and “harmonizing” 2 existing measures
  - But, only 2 of the 4 new measures have been endorsed by the NQF
  - None adopted by the HQA
- For 2011, must report 46 measures total
- No new hospital-acquired conditions
CMS finalized three changes to counting days for Medicare DSH payments:
  - Ancillary labor and delivery days
  - Reporting Medicaid days
  - Observation days

CMS says impact will be negligible.
MDH Rebasing

- Cumulative, retroactive application of budget neutrality adjustments from 1993-2002
- Applied to 2002-based hospital-specific rates, reduce by 1.7%
- Applied for discharges on or after Oct. 1, 2009
- Affects 50 MDHs, cuts $5 million in FY 2010
Outpatient PPS

• A market basket update of 2.1 percent for hospitals that reported data on outpatient care in 2009. Otherwise 0.1 percent.
• No new outpatient quality measures for 2011; hospitals would be required to continue reporting on the 11 measures for 2010.
• Proposed new methodology for separately payable drugs and biologicals, which results in a proposed payment rate of average sales price (ASP) plus 4 percent.
OPPS: Direct Supervision

- Proposed rule contains good and bad news.
- Bad news first….
  - **Does not resolve vulnerability for 2001 through 2009.** CMS continues to explicitly assert that:
    - The 2009 “restatement and clarification” made no change to long-standing supervision policies.
  - The AHA will continue to urge that CMS
    - rescind the 2009 policy change
    - instruct its contractors not to pursue enforcement actions.
Good (?) news

**CY 2010 and beyond**… CMS proposes:

- Non-physician practitioners (NPPs) may provide direct supervision of hospital and CAH outpatient therapeutic services
  - PAs, NPs, CNSs, CNM may directly supervise if
    - services are within State’s scope of practice and hospital-granted privileges
  - NPPs may supervise hospital and CAH services both **ON-CAMPUS** and **OFF-CAMPUS**
Loosening of standard for “direct supervision” when outpatient services provided on-campus

- For outpatient services furnished in a hospital or CAH, or in an on-campus PBDs of a hospital or CAH, revises “direct supervision” definition
  - Supervisory physician or NPP must be present on the same campus, in the hospital or CAH or in on-campus PBDs of the hospital or CAH, and immediately available to furnish assistance and direction throughout the performance of procedure.
Medicare HIT Incentives

- **$17 Billion** for “meaningful use” through:
  - **Medicare**
    - PPS Hospitals
    - CAHs
    - Physicians
  - **Medicaid**
    - Physicians with 30 percent Medicaid volume
    - Children’s hospitals
    - Other acute care hospitals with 10 percent Medicaid volume
- Otherwise, **penalties start 2015** for any hospital not considered a “meaningful user”
ARRA says “meaningful use” is:

– Demonstrating to the Secretary that certified technology is being used “in a meaningful manner;”

– Demonstrating that the technology is connected in a manner that provides for the exchange of health information; and

– Using the EHR to submit clinical quality measures selected by the Secretary
Medicare HIT Incentives

- Definition was offered by the HIT Policy Committee’s **Meaningful Use Workgroup** in July
  - Fully functioning EHR
  - “Adoption year” concept
### Medicare HIT Incentives

#### “Adoption Year” Concept

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Medicare HIT Incentives

ONC’s Definition of Meaningful Use for 2011

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<tr>
<th>System Functions</th>
<th>Other Functions</th>
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<tbody>
<tr>
<td>CPOE – 10% of all orders</td>
<td>Provide patients electronic health info</td>
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<td>Patient demographics</td>
<td>Provide electronic discharge instructions</td>
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<td>Physician notes</td>
<td>Provide patient education</td>
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<td>Nursing assessments</td>
<td>Capability to exchange info among providers</td>
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<td>Problem lists</td>
<td>Perform medication reconciliation</td>
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<td>Medication lists</td>
<td>Submit to immunization registries</td>
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<td>Lab reports</td>
<td>Report lab results to public health</td>
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<td>Clinical guidelines</td>
<td>Provide syndromic surveillance for public health</td>
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<td>Clinical reminders</td>
<td>Compliance with HIPAA</td>
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<td>Drug allergy alerts</td>
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<td>Drug-drug interaction alerts</td>
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<td>Drug-lab interaction alerts</td>
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<td>Drug dosing support</td>
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<td>Patient lists by specific conditions</td>
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<tr>
<td>Report hospital quality measures</td>
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<td>Check insurance eligibility</td>
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<td>Submit claims electronically</td>
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Other Reg Issues: RAC Rollouts

- Education and outreach complete in phase 1 states
- RACs must complete admin tasks before audits can begin
  - Complete JOA’s with MACs (FI/Carriers)
  - Secure claims from CMS
  - Prepare issues for “new issue review” and approval by CMS – 16 in review process now
- Hospital outpatient, physician & DME audits began in August
  - Region C / Connolly: FL and SC
  - Region D / HDI: AZ, CA, HI, MT, ND, NV, OR, SD, UT, WA, WY
- No complex reviews until fall
- No medical necessity reviews until 2010
Contact Information

Joanna Hiatt
Senior Associate Director, Policy
E-mail: jhiatt@aha.org

Lisa Kidder
Vice President, AHA Legislative Affairs
E-mail: lkidder@aha.org

American Hospital Association
325 7th St., NW, Suite 700
Washington, DC 20004
Phone: 202-626-2340