

## In drafting budget, consider rural hospitals' community challenges

The president's budget proposal for fiscal year 2010 contains several provisions that could hinder rural hospitals' ability to continue meeting their community's health needs, an AHA witness recently told the House Small Business Committee.

The president's budget outline would create a reserve fund of more than \$630 billion over 10 years to help finance health care reform. Half of the reserve fund would come from savings in health care, including proposals to bundle Medicare payments for hospital and post-acute care, reduce payment for hospitals with high readmission rates and a pay-for-performance measure linking a portion of hospital inpatient payment to quality improvement.

Ed Hannon, CEO of McDowell Hospital in Marion, NC, and chairman of the AHA's Small or Rural Hospitals Governing Council, emphasized the AHA's "steadfast" commitment to health care reform. But he urged Congress to consider how these cost-saving proposals would affect small and rural hospitals, which face special challenges stemming from lower patient volume, geographic isolation and large numbers of Medicare patients.

Hannon expressed strong support for the president's proposal to permanently reform the Medicare physician fee schedule, address the shortage of health care providers in medically underserved areas and ban physician self-referral to hospitals in which they have an ownership interest. But he outlined some areas of concern with

the White House budget blueprint issued in late February.

**Bundling.** The administration said its bundling proposal could save nearly \$18 billion over the next decade, and contends that if hospitals control the payment bundle they will select the most appropriate and effective post-acute-care provider. But Hannon noted that hospitals in many rural communities face the disadvantage of having fewer post-acute care facilities to coordinate patients' care. "Some of our members are organized in ways that would facilitate bundling payments," he said. "But many are not and need the tools and infrastructure for coordinating care and managing risk."

**Readmissions.** The administration estimates reducing payments for hospitals with high 30-day readmission rates could save more than \$8 billion. The provision, said Hannon, fails to account for all the circumstances involved in readmitting patients. Some readmissions are completely under the hospital's control, but most are guided by a "complex series of conversations, circumstances and medical decisions" that involve providers and patients, he said. "Any provision that does not recognize legitimate reasons for

readmission may become an obstacle to patient care and safety."

**Pay-for-Performance.** Payment incentives should reward providers for demonstrating excellence in patient safety and providing effective care, the AHA witness said. But using pay-for-performance as a cost-cutting measure could be especially harmful to rural hospitals because of their low patient volume, Hannon told the committee.

While rewarding performance excellence "holds merit ... some of the approaches will result in payment penalties, inequities and other serious consequences for hospitals and the communities they serve," he said.



**BUDGET TESTIMONY.** Ed Hannon testifies at a House Small Business Committee hearing on the president's budget and Medicare.