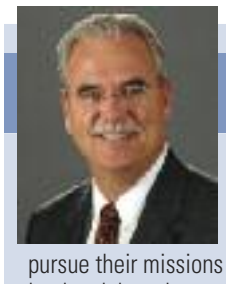
Value of Membership

March **2011**



A Message from **Rich Umbdenstock**

Last year saw big changes in the way hospitals and health care systems will pursue their missions in the future. While hospital leaders labored to provide patient care in challenging economic times, you also moved forward with preparations for the implementation of health care reform legislation and other changes facing the health care system. The AHA, led by our board and guided by the input of hundreds of volunteer members, was and will remain with you every step of the way.

The lingering effects of the recession meant that patients delayed or did without care as their family budgets remained tight. Hospitals responded with increased belt tightening of their own. Yet despite the economic downturn, the health care sector remained an economic mainstay, continuing to play a role that extends far beyond health care.

At the same time, hospitals are facing dramatic changes in the way we care for patients and finance services. After years of member debate and input, the AHA engaged in the legislative process armed with a solid set of guiding principles – *Health for Life* – that we used as a guidepost for influencing and evaluating any legislative proposal. By being consistent, persistent and credible, the AHA, as your representative, made sure Congress heard the concerns of hospitals at every turn. It's a vivid illustration of the power of our partnership.

While far from perfect, the legislation passed last year will make a real difference in the lives of tens of millions of Americans by taking significant steps toward expanding access to and improving the way our nation delivers and provides health care.

It is unclear whether or how the new Congress will modify or even undo various aspects of reform. We cannot predict how each and every provision will be implemented, or what new challenges will emerge. As with any legislation of this magnitude, refinements and improvements are always necessary and the AHA, with continuing guidance from the membership, will continue to work to make sure any changes support your mission of caring for patients.

However, one thing is certain: With the benefit of your participation and support, the AHA will continue to be your advocate. We will aggressively articulate the perspective of America's hospitals in the halls of Congress and to regulators, as we have for well over a century.

Another certainty is that the AHA will continue to provide you with the tools you need to understand emerging trends, respond to new issues that surface, and share best practices with your colleagues nationwide.

Thank you for your partnership with hospitals and health care systems nationwide through the AHA and our strategic partners – the state, regional and metropolitan hospital associations. Please take a moment to review this summary of our shared accomplishments in 2010. We look forward to working together for the health and well-being of our communities in the year ahead.

Rich Umbdenstock
President and CEO

What We've Accomplished Together – The Return on Your AHA Investment

On The Hill

HEALTH CARE REFORM

As the *Patient Protection and Affordable Care Act* (ACA) began to take shape, AHA staff worked with the Administration, Congress and other stakeholders to ensure hospital priorities were considered.

Specifically, the final bill:

- ★ Expands coverage to 32 million people through a combination of private- and public-sector insurance expansions.
- ★ Puts in place important insurance reforms that will go a long way toward ensuring people can access coverage. Reforms include: no lifetime limits on coverage; no exclusions based on pre-existing conditions; no discrimination based on health status; no annual limits; coverage of preventive services; no cancellation of insurance coverage when someone becomes sick.
- ★ Simplifies some administrative requirements to cut down on the red tape that is choking today's health care system.
- ★ Includes delivery system reforms that hold promise for improving care; including:
  - ★ Allowing hospitals to play a leadership role in forming accountable care organizations (ACOs).
  - ★ Establishing a process for testing payment bundling using pilot and demonstration programs, rather than implementing a full bundling program, as originally proposed by the Administration.
  - ★ Creating medical homes.
  - ★ Extending demonstration projects for gain-sharing.
  - ★ Creating a Center for Medicare & Medicaid Innovation (CMI) to test other models for reforming the delivery system.
  - ★ Establishing a budget-neutral hospital value-based purchasing (VBP) program in a manner consistent with AHA principles.
  - ★ Adjusting payments to address geographic variation without being used as a tool for cutting overall hospital payments.
  - ★ Allowing the Secretary of the Department of Health and Human Services (HHS) to waive regulatory barriers to clinical integration and delivery reform efforts under the ACO demonstration projects, along with the CMI.
  - ★ Securing pilots and demonstrations for small hospitals and Critical Access Hospitals (CAHs) to participate in delivery system reform.

Significantly, the legislation DID NOT INCLUDE: a new public option for insurance; a requirement that private insurance plans participating in the health insurance exchanges pay providers Medicare or Medicaid rates; changes in the current community benefit standard determining qualification for tax-exempt status; IPAB authority over inpatient PPS hospitals before 2019; nor cuts to indirect medical education.

We will continue to work with the Administration, Congress and all stakeholders to make the necessary refinements that will be inevitable given the scope of any reform of this magnitude.

For example, we have significantly expanded our capability in advocating for hospitals with respect to insurance reforms, working with the National Association of Insurance Commissioners (NAIC), the new Center for Consumer Information and Insurance Oversight and others to ensure that hospitals' interests are heard on topics such as defining the medical loss ratio and determining how the insurance exchanges will operate.

We also, through our *Hospitals in Pursuit of Excellence* (HPOE) initiative, are working to help hospitals manage health care delivery change by developing evidence-based tools and guides, offering leadership development through fellowships and networks, and engaging hospitals in national performance improvement projects. Working in collaboration with our partners at the state, regional and metropolitan hospital associations and our national partners, HPOE synthesizes and disseminates knowledge, shares proven practices and spreads improvement to support health reform implementation at the local level. It's one way we're helping hospitals learn from each other. In 2010, HPOE guides – on topics ranging from reducing hospital readmissions to learning about bundled payments, to ACOs and patient-centered medical homes – were downloaded more than 22,000 times from www.hpoe.org.

The AHA's 2010 chair officers, (from left to right) Chairman Richard P. de Filippi, Chairman-elect John W. Bluford and Immediate Past Chairman Tom Priselac, with AHA President and CEO Rich Umbdenstock, answer members questions at the AHA Annual Membership Meeting.

EXTENDING ASSISTANCE TO THE STATES

Secured a six-month extension through June 2011 of Medicaid's temporary enhanced Federal Medical Assistance Percentage (FMAP) for states. The extension includes a 3.2% increase for the first additional quarter (January through March 2011) and 1.2% for the second quarter (April through June 2011). States with high unemployment will continue to receive additional percentage points in funding for the six-month extension, as they do under current law.

EHR INCENTIVES FOR HOSPITAL-BASED PHYSICIANS

Helped pass legislation to ensure that physicians who practice in hospital-owned outpatient centers qualify for health IT incentives under the *American Recovery and Reinvestment Act*. CMS' proposed rule governing "meaningful use" of electronic health records (EHR) initially excluded physicians who practice in outpatient centers and clinics from being eligible for EHR incentive payments because their offices or clinics are located in facilities owned by the hospital system.

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Your Involvement
Policy and Advocacy

Members in Action

Hospital leaders from across the country understand the importance of communicating with their elected officials, who make decisions every day that affect the way that health care is delivered. In 2010 as health reform was debated, the stakes were high, perhaps more so than at any other time. The hospital field rallied together to ensure that lawmakers understood their concerns, as decisions made in Washington would affect the way care is delivered, now and in the future. Hospital leaders across the country shared their stories and took their concerns to Congress.

For example, the AHA, joined by a number of other national health care associations, in July convened more than 100 leaders in Washington, DC, to be briefed and then make the hospital case on Capitol Hill for extended Medicaid assistance to the states and to illustrate how a proposed cut to hospital inpatient payments could harm patient care. Hospital leaders spent the day in the offices of decision makers answering questions and making sure they understood the significance of the issues being addressed for their communities and for their constituents. In addition, nearly 2,000 hospital leaders came to DC in April to take part in the AHA's Annual Membership Meeting and advocate with their lawmakers on the Hill.

AHA's *Partnership For Action*, a network of key contacts from across the country who have built and maintain relationships with elected officials and their staffs, also played an important role in making the hospital voice heard…loud and often! The members responded to *AHA Action Alerts*, made visits to congressional offices, both in Washington and back home, and attended town hall meetings, all in an effort to effectively make the field's concerns heard and understood.

AHA President and CEO Rich Umbdenstock (at podium) encouraged participants at a July 15 "Advocacy Day" briefing to "make our case" on vital issues with lawmakers on Capitol Hill.

AHAPAC

Support from hospital leaders has made the AHAPAC one of the most successful health care PACs in the nation. In 2010, the AHAPAC raised a record-breaking $2.175 million. Forty state hospital associations, plus the AHA itself, reached or exceeded annual PAC goals, with nearly 3,800 individuals contributing at the club level – Capitol Club, Chairman's Circle and Ben Franklin Club – with contributions ranging from $350 to $1,000 each.

Successful fundraising enabled AHAPAC to support federal candidates who share our views on various issues. Through the PAC, hospitals were represented at close to 500 fundraising events across the country, many in local communities, and made more than $3.4 million in candidate contributions on behalf of the entire hospital community throughout the important 2009-2010 election cycle.

At the 2010 AHA Annual Meeting, the Virginia Hospital & Healthcare Association (VHHA) received two awards for outstanding achievement in PAC fundraising. Fred Rankin (left), president and CEO of Mary Washington Hospital, Fredericksburg, accepts an award on behalf of VHHA from AHAPAC Steering Committee Chair Tucker Bonner.

A Hospital Voice on Capitol Hill

Ensuring Washington hears hospital voices, AHA and its members testified before Congress or other government-sponsored committees six times in 2010 on issues ranging from health reform to antitrust laws and their impact on clinical integration efforts. Providing hospital input on policy and legislation, AHA sent more than 100 letters to Washington policymakers including CMS, HHS, congressional leaders and the White House.

Colorado Hospital Association President and CEO Steven J. Summer testified on behalf of the AHA before the U.S. House of Representatives Committee on Energy and Commerce Subcommittee on Health about the hospital field's support for price transparency.

AHA is doing a great job. The e-mails and information is great. I trust that AHA seeks out, understands, and has hospitals' concerns in mind.

Lynn Crowell, CEO, Arkansas Valley Regional Medical Center
La Junta, CO

Adding Your Voice

In addition to the AHA's Board of Trustees, Regional Policy Boards, Governing Councils and constituency leadership sections, the association offers members many opportunities each year to play an active role in shaping our policies and setting direction for the association.

Special Advisory Group on Improving Hospital Care for Minorities

Chaired by Kevin Lofton, president and CEO of Catholic Health Initiatives in Denver, the group continues to guide AHA's efforts to help hospitals better understand the patient-related and health system-related factors that contribute to racial and ethnic disparities in health care. The group changed its name to the Equity in Care Group in 2010.

Through this group, the AHA seeks to: create a forum to identify and prioritize key issues of concern to leaders and minority group organizations; provide a vehicle to receive feedback on ways to create better, safer and more affordable care; and build long-term beneficial relationships to address key issues of mutual concern.

AHA Advisory Committee on Health Care Reform

Led by AHA's 2009 chairman, Thomas M. Priselac, president and CEO of Cedars-Sinai Health System in Los Angeles, this advisory committee played an important role, weighing in on AHA activity and policies as they relate to health care reform. Similarly, representatives from the state, regional and metropolitan hospital associations weighed in through the Allied Hospital Association Advisory Group on Health Reform Implementation, chaired by AHA board member Craig Becker, president and CEO of the Tennessee Hospital Association.

Hospitals in Pursuit of Excellence National Leadership Council

Chaired by AHA board member Raymond Grady, senior vice president and chief administrative officer, Aurora Health Care, this council brings together a variety of hospital leaders working in conjunction with AHA's *Hospitals in Pursuit of Excellence* (HPOE) effort, the association's platform to spur performance improvement. The council informs HPOE activities for care coordination, healthcare-acquired infections, health information technology, medication management, patient safety and patient throughput.

AHA Task Force on Variation in Health Spending

Chaired by AHA board member Scott C. Malaney, president and CEO of Blanchard Valley Health System in Findlay, OH, this task force sought to specifically examine the issue of variation in health care spending and develop recommendations to address it. This task force studied the research, talked to many experts and sought the input of hospital members through the AHA governance process. It found that variation is a complex issue with many factors at play, and that not all variation is inappropriate. It also found that while hospitals play an important role in reducing variation, hospitals cannot address this issue alone – partnerships with physicians, other providers and community stakeholders will be critical to success. The task force released its report in January 2011 and shared it with an Institute of Medicine panel that will issue recommendations to address variation by the end of 2013. AHA's *HPOE* has produced an accompanying action guide to help organizations understand and address variation.

Physician Leadership Initiative Task Force

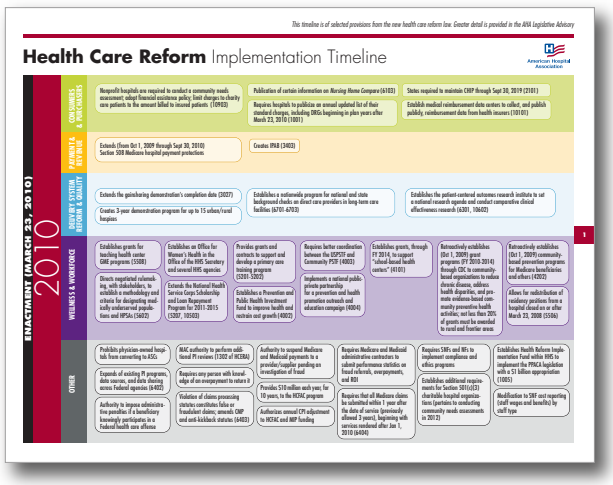
The physician leadership initiative advisory group was created in early 2010 to help create within AHA a forum for physicians who work closely with hospitals to achieve more collaborative working relationships and to advance excellence in patient care. The group identified four areas where we could engage our physician colleagues – education, quality and patient safety, leadership development, and advocacy and public policy. The board approved a physician leadership initiative work plan last November. A staff team within AHA has been created to support the effort. And, various physician initiatives (within the four engagement strategies) will be rolled out in 2011.

Understanding and Preparing for the Road Ahead

Updating Members at Every Turn

The health care reform debate had more twists and turns than your average rollercoaster, and through it all, the AHA was there, keeping members updated on the latest legislative proposals and their potential impact on the hospital field. The AHA provided summaries and side-by-side comparisons of proposed legislation, as well as *Action Alerts* directing the field to weigh in on proposals of key interest to hospitals. We also launched a special weekly e-newsletter devoted specifically to following the reform debate. Every week, and additionally as events warranted, the *Update* provided links to the latest news, resources and advocacy messages.

When the *Patient Protection and Affordable Care Act* passed in March, the AHA was there with a detailed summary of the final bill and a calculator to help you assess the immediate impact.



At right, AHA President and CEO Rich Umbdenstock talks about hospital quality-improvement efforts at a Washington, DC, briefing. At left is Bruce Hamory, M.D., executive vice president of Geisinger Health System in Danville, PA. AHA was a sponsor of the Health Affairs event.

I appreciate the AHA resources available to help hospitals understand reform. I believe AHA has a very credible voice as we move forward with reform implementation.

Todd Werner, CEO
Banner Desert Medical Center
Mesa, AZ

Making Sense of Reform

To help members understand and prepare for the road ahead, the AHA created new resources and sought new ways to connect with members.

First, the AHA created a special webpage as a resource for hospital leaders seeking to understand and plan for the changes prescribed by health reform. This resource, available at www.aha.org, is divided into five sections: Understanding Reform, Communicating Reform, AHA Tools & Resources, What Others are Saying, and Opportunities to Get Involved. It houses a host of dedicated resources the AHA has created, from detailed advisories and timelines spelling out what is included in the law and how it will roll out to PowerPoint presentations members can customize and use to explain reform's impact on their communities. It also offers links to outside resources.

Understanding Reform includes an AHA overview of the major aspects of reform, as well as a timeline of key implementation dates and a summary highlighting the impact of insurance provisions on hospitals in their role as employers. It also includes regularly updated links to reports on various aspects of reform, from accountable care organizations to health insurance exchanges, from many different sources.

Communicating Reform was designed to provide you with tools you can use to explain the reform law and its impact when speaking with groups in your community, including your staff.

AHA Tools and Resources is updated regularly as the AHA develops new synthesis reports and advisories on various aspects of reform, as well as other tools you may find helpful as you grapple with upcoming changes.

What Others are Saying offers quick links to various other health care and governmental organizations.

Opportunities to Get Involved includes a summary of grant opportunities of interest to hospitals and will be regularly updated as additional opportunities are made public.

Answering Your Questions in Real Time

With so much at stake, we know how crucial it is to get timely answers to your most pressing questions. That's why the AHA in 2010 hosted regular, interactive webcasts during which topics such as ACOs, clinical integration and geographic variation were discussed with leaders in the field. These webcasts provided not only an opportunity for us to share with you the latest updates from Washington, but also for you to ask questions of AHA leaders and invited guests. These popular *Townhall Interactive* sessions are now a regular event. Visit www.aha.org for a list of future dates.

In addition, AHA's *Hospitals in Pursuit of Excellence* initiative held numerous webinars on performance topics of interest to members in addition to publishing valuable research compendiums and case studies. Visit www.aha.org and www.hpoe.org to learn more.

(At left) Mark Shields M.D., senior medical director, Advocate Physician Partners, and vice president of medical management, Advocate Health Care in Chicago, joined AHA Senior Vice President for Public Policy Analysis and Development Linda Fishman and President and CEO Rich Umbdenstock for a Townhall on accountable care organizations. Dr. Shields shared Advocate's experiences with designing a structure of hospital-physician integration.

A Work in Progress

Several years ago, in anticipation of the health care reform debate, the AHA led an effort to create a framework to transform America's health care. *Health for Life* identifies five essential elements that we must build upon to make care more safe, timely, effective, efficient, equitable and patient-focused.

Each element has a set of associated goals and policy actions we would like to see at the federal and state level to transform health and health care in America. These ideas were developed by six expert advisory groups involving nearly 100 different organizations representing consumers, business, labor, insurers, physicians, nurses, hospitals and others. Some of these ideas have been addressed in recent legislation, while others continue to await action.

Although reform legislation was enacted, *Health for Life* is not finished. It will continue to be the standard by which we judge any legislative or regulatory efforts to transform the health care delivery system. We believe these ideas will help put in place the foundation for achieving better health and better health care.

AHA is doing a fine job. The focus for AHA is to be vigilant in ensuring reform is implemented appropriately to achieve the desired outcomes.

Bain Farris, President and CEO
Exempla St. Joseph Hospital, Denver, CO

What We've Accomplished Together

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PHYSICIAN PAYMENT

Helped secure a one-year extension of Medicare physician payment rates, delaying until January 2012 a significant Medicare payment cut for physicians.

EXTENDERS LEGISLATION

Helped pass an extension of several crucial hospital-related payment provisions that were due to expire at the end of 2010. Among them, measures that provide an exceptions process for Medicare therapy caps, extend the outpatient "hold harmless" payment provision, restore to children's hospitals discounts for "orphan drugs" under the 340B drug discount program and renew the Section 508 reclassification program, which allows hospitals to seek improvements in their Medicare wage index. Other rural provisions extended the technical component of certain physician pathology services, reimbursement raises for ambulance services and reasonable cost payments for clinical diagnostic laboratory tests in rural areas.

In the Agencies

EHR 'MEANINGFUL USE' REGULATIONS

Secured positive changes in the final rule defining "meaningful use" of EHRs. The Centers for Medicare & Medicaid Services (CMS) provided some flexibility for hospitals in the criteria to become meaningful users of EHRs, including reducing the number of clinical quality measures required to demonstrate meaningful use for the Medicare incentive program – and including only quality measures that were previously specified for EHR data collection. The agency also recognized the special role that CAHs play in their communities by making them eligible for incentives under the Medicaid program. CMS also removed some unnecessary administrative burdens that would have been time consuming and costly for hospitals.

Unfortunately, CMS continues to place barriers in the way of achieving widespread IT adoption by our nation's hospitals and physicians. In particular, individual hospitals in multi-campus settings are unfairly excluded from incentive payments. We also remain concerned this rule may adversely impact small and rural hospitals and the patients they serve and exacerbate the digital divide in health care. We are meeting regularly with the Office of the National Coordinator (ONC) and CMS to make sure the unique challenges these organizations face are understood and taken into account. For example, we recently helped secure rural hospital representation on ONC's HIT Policy subcommittee on meaningful use. We also are concerned that the rule requires hospitals to immediately use Computerized Provider Order Entry (CPOE), which can be complicated, costly to implement and takes time to do correctly. We continue to work with CMS and Congress to remedy these issues.

HOSPITAL-ACQUIRED CONDITIONS

Helped persuade CMS to suspend plans to add data on hospital-acquired conditions (HACs) to the *Hospital Compare* website due to an error in the CMS data file used to calculate the HAC measures. Plans for future HAC measure reporting will be announced at a future date. While hospitals are committed to sharing reliable quality data with the public, the AHA had urged CMS not to publish the HAC data for several reasons, including inadequate time for hospitals to preview the data.

MENTAL HEALTH PARITY

Helped secure parity standards to ensure that mental health and substance use benefits are treated equally to medical and surgical benefits in health plan benefit designs.

TELEMEDICINE CREDENTIALING

Successfully persuaded CMS to propose new Medicare Conditions of Participation to relax requirements for credentialing and privileging telemedicine providers.

INFLUENZA PREPAREDNESS

Helped persuade the Centers for Disease Control and Prevention to revise its flu infection control guidance for health care facilities to reflect both the most recent data on how the H1N1 virus is transmitted and the limited supply of respirators.

OUTPATIENT DIRECT SUPERVISION

Persuaded CMS to extend the moratorium on enforcement of the direct supervision requirements for CAHs for an additional year and to also extend this moratorium to other rural hospitals with 100 or fewer beds. CMS also provided more flexibility for a set of 16 services and changed the definition of direct supervision to remove all requirements that a supervisor be present in the department or on the hospital's campus, instead requiring that he or she be "immediately available." Persuaded CMS to seek input from an advisory committee to review and recommend changes to the level of supervision for outpatient therapeutic services.

MULTIPLE PROCEDURE PAYMENT REDUCTION (MPPR) FOR THERAPY SERVICES

Helped mitigate the MPPR for outpatient therapy services to 25% (down from a proposed 50%), lowering a proposed payment cut of approximately 13% to 7% in 2011 to hospital outpatient therapy services. However, we remain extremely disappointed that CMS chose to implement this flawed policy that will result in significant cuts to hospitals for these important services.

MEDICAL LOSS RATIO (MLR)

Provided guidance to the NAIC and HHS on how to calculate MLR rebates under the ACA, which requires health plans to provide rebates to enrollees if the percentage of premiums spent on clinical services and

AHA's 2011 Advocacy Agenda

Putting People First

As a national dialogue on addressing the federal deficit continues, health care and hospitals promise to remain in the headlines. Our job is to make sure that the patients who rely on our services take center stage. Lawmakers on both sides of the aisle will need regular reminders that hospitals already face cuts resulting from health reform and state budget trimming, and those cuts can affect our ability to provide patient care. In the midst of these deliberations, the AHA is working with members to keep the hospital story front and center and to provide the tools members need to pursue excellence in quality and safety – all with the shared vision of a society of healthy communities, where all individuals reach their highest potential for health. Our advocacy efforts in 2011 fall into three general areas.

Health Care Delivery Transformation

America's hospitals are committed to creating better, safer, more efficient and affordable health care for a healthier America. The AHA is working to preserve what is good in health care reform, fix what is wrong, and advance the goals of *Health for Life*, the AHA's roadmap for improving the health care system: a focus on wellness; the most efficient, affordable care; the highest quality care; the best information; and coverage for all, paid for by all.

This year, the AHA will work to protect significant gains in coverage and funding for prevention and wellness initiatives that will, over time, not only reduce the cost of health care but help build healthier communities. We will continue to advocate for performance improvement and provide members with multiple forums to exchange information and best practices that will accelerate progress in quality and patient safety, including our *Hospitals In Pursuit of Excellence* initiative. And we will continue to encourage the ongoing dialogue on critical issues such as end-of-life care, health care disparities and spending variation.

Essential Resources for Patients and Communities

Organizations across the board have become accustomed to doing more with less, and hospitals are no exception. But without fair and equitable reimbursement, hospitals cannot provide the care that patients and communities need and continue to improve their performance.

In an environment of deficit reduction, Medicare and Medicaid funding will be under constant assault. The AHA will work to protect hospital payments during every step of the budget, appropriations and regulatory processes and to address expiring health care programs. We will also push to maintain graduate medical education funding and policies that help hospitals address workforce issues.

Roadblocks to Reducing Costs

Excessive regulations, outdated laws and a lack of clear federal guidance can combine to inhibit the innovation and cooperation essential to realizing the promise of better care delivery to which America's hospitals are committed. They also drain time, funding and attention that could more effectively be focused on patient care.

The AHA is working to reduce the bureaucratic red tape and legal barriers impeding clinical integration by advocating for user-friendly antitrust guidelines and seeking to modernize laws and regulations to allow providers to work together more closely. In addition, we'll seek to simplify the regulatory requirements for meaningful use of certified electronic health records.

We'll also fight for sensible medical liability reforms. The high costs associated with the current medical liability system not only harm hospitals and physicians, but also patients and their communities. Across the nation, physicians are moving away from states with high insurance costs or no longer provide services that may expose them to a greater risk of litigation, and this hurts patient access to health care. The increased costs that result from the current flawed medical liability system not only hinder access to affordable health care, they also threaten the stability of the hospital field.

Foster McGaw Prize Winner. Heartland Health System CEO Mark Laney, M.D., addresses the AHA's annual meeting after being presented with the 2009 Foster G. McGaw Prize. The prize honors excellence in community service. The 2009 award was sponsored by the AHA, the Baxter International Foundation and the Cardinal Health Foundation.

Oregon's Second district, spanning nearly 70,000 square miles, accommodates large hospital systems, small rural critical access hospitals, and the many types in between. I therefore enjoy a unique working relationship with the American Hospital Association. The AHA recognizes the growing divide between rural patients and health care providers in districts like mine, and I look forward to our continued collaboration to ensure all Americans have access to high quality health care services.

Rep. Greg Walden (R-OR)

What We've Accomplished Together

health care quality improvement activities is less than 85% for large group health plan markets or 80% for small group and individual markets. HHS' interim final rule follows closely the recommendations made by the NAIC, which tried to strike a balance between different stakeholders. We will continue to work with HHS as the rule is implemented and monitor to what extent the health plans will be granted waivers from the MLR requirements.

Other Key Initiatives

ADMISSION NOTIFICATION POLICY

Helped convince UnitedHealthcare not to impose a 50% financial penalty on hospitals that fail to notify United of admissions within 24 hours. The AHA, several state hospital associations and the Multi-State Managed Care Coalition, challenged United to demonstrate that the policy advanced clinical care coordination and was not just a new form of administrative denial.

In the Courts

With the five other national hospital associations, filed a joint *amicus* brief asking federal courts in Florida and the 4th and 11th judicial circuits to uphold the constitutionality of the "individual mandate," which requires that Americans able to do so purchase health insurance, as part of the ACA. The associations emphasized hospitals' unique role of providing care to the uninsured and underinsured, as well as the broader health and social consequences.

Submitted an *amicus* brief supporting Florida Hospital of Orlando's challenge to an Administrative Law Judge's (ALJ) determination that the hospital is a federal subcontractor solely by virtue of its participation as an "in-network" provider in the military's TRICARE program. The brief observes that the ALJ's conclusion that TRICARE reimbursement is a federal contract payment, the receipt of which subjects a provider to substantial compliance obligations and paperwork burdens enforced by the Department of Labor's Office of Federal Contractor Compliance Programs, was reached without following or even citing the applicable test for distinguishing between federal contract payments and federal grant aid.

With the U.S. Chamber of Commerce and Pharmaceutical Research and Manufacturers of America, filed an *amicus* brief in the U.S. Supreme Court, arguing that information obtained through a Freedom of Information Act request cannot provide the basis for the personal knowledge private individuals must have to pursue a False Claims Act (FCA) case. The FCA prohibits cases by private individuals, called "relators," from proceeding based on publicly disclosed information.

With a group of national organizations, urged the Acting Solicitor General to recommend that the U.S. Supreme Court decline to hear a case in which the court of appeals blocked the state of California's 10% across the board cut to payments for hospitals and other Medi-Cal providers.

The American Hospital Association has been a tremendous resource as we grapple with the enormous challenges confronting our health care system. On issues ranging from quality improvement, to payment reform, to health information technology, thorough analysis is essential. Whether providing timely data or identifying key concerns, AHA plays a critical role in assessing the local impact of national health policy issues.

Sen. Olympia Snowe (R-ME)

Quest for Quality Prize. The 2010 AHA-McKesson Quest for Quality Prize was awarded to McLeod Regional Medical Center in Florence, SC. Henry Ford Hospital in Detroit was honored as the finalist and Queens Hospital Center in Jamaica, N.Y., received the Citation of Merit. From left to right are: Andrew Mellon, M.D., San Francisco-based McKesson Provider Technologies' vice president of advanced clinical technology; George Proctor, Queens Hospital Center's executive director; William Boulware, M.D., McLeod Regional's chief of staff; Veronica Hall, Henry Ford Hospital's chief operating officer; and AHA President and CEO Rich Umbdenstock.

For over a century, the American Hospital Association has been an effective advocate for our nation's hospitals, health care networks and systems. The AHA has been a valuable partner in Congress' work to address the health care needs of our nation, including the enactment of the Affordable Care Act, and I look forward to continuing to work together.

Rep. Steny Hoyer (D-MD), Democratic Whip

Circle of Life Awards. Kansas City Hospice & Palliative Care in Kansas City, MO; Snohomish County Palliative Partnership in Everett, WA; and the Department of Veterans Affairs (VA) New York/New Jersey Healthcare Network each received a Circle of Life Award for palliative and end-of-life care. The AHA cosponsors the award. From left to right are: Phyllis Wingate-Jones, division president of Carolinas Healthcare in Concord, NC, and a member of the AHA's executive committee; Judith Feldman, M.D., chief medical officer of the VA New York/New Jersey Healthcare Network; Joanne Roberts, M.D., chief of medicine for Providence Regional Medical Center (part of the Snohomish partnership); and Kansas City Hospice President and CEO Elaine McIntosh.

AHA NOVA Awards. Five hospital-led programs to improve community health received the 2010 AHA NOVA Award. The award recognized Lee Memorial Health System in Fort Myers, FL; the University of Rochester (NY) Medical Center; Munson Healthcare System in Traverse City, MI; Sinai Health System in Chicago; and a San Francisco-area partnership that includes San Francisco General Hospital, University of California Medical Center, Chinese Hospital, California Pacific Medical Center, Saint Francis Memorial Hospital, St. Mary's Medical Center and Kaiser Permanente. From left to right are: AHA board member Ray Grady; Jay Harris, University of California Medical Center's chief strategic planning officer; DeShuna Dickens, Sinai's education coordinator; Munson Chairman Dan Johnson; Sally Jackson, Lee Memorial's director of community projects; San Francisco General CEO Susan Currin; Barry Lawlor, St. Mary's Medical Center's director of community health; Abbie Yant, Saint Francis Memorial Hospital's vice president of mission; and Tangerine Brigham, the San Francisco Department of Public Health's deputy director.

Providing Ideas and Information

Putting Information at Your Fingertips: AHA Research

Keeping policymakers and the public aware of emerging trends in America's hospitals and the broader health care field, AHA's research provides essential facts to educate the public and effectively influence policy. In 2010, AHA sponsored or conducted numerous research reports and studies, ensuring its members had all the tools necessary to illustrate the issues critical to their communities.

Fact Sheets

Chartbook

The AHA regularly updates Chartbook, a collection of the latest data points and trends as they relate to hospitals and health care. Chartbook is updated throughout the year on www.aha.org.

Uncompensated Hospital Care Cost and Underpayment by Medicare and Medicaid

These annual fact sheets come from AHA's Annual Survey of Hospitals, which is the nation's single most comprehensive source of hospital financial data. These fact sheets provide trend data on uncompensated care and underpayment, as well as definitions and technical information on how the figures are calculated.

Special Reports

Responding to the Centers for Medicare & Medicaid Services' (CMS) coding offset, the AHA and other hospital groups sponsored two independent studies that raise serious concerns about the agency's methodology for determining the impact of documentation and coding change on the Medicare patient case mix. The inpatient prospective payment system proposed rule for fiscal year (FY) 2011 includes a 2.9% payment cut totaling $3.7 billion to recover what CMS contends were overpayments to hospitals that resulted from documentation or coding changes in FY 2008 and 2009 that did not reflect real changes in patient case mix. In a letter accompanying the studies, the AHA, Federation of American Hospitals and Association of American Medical Colleges urged the agency to change its methodology in the final rule and reduce the proposed payment cut to account for the increasing patient severity documented by historical trends.

AHA also produced a special report on the sources of variation in health care spending. Researchers have long documented variation in health care spending. Variation occurs across geographic areas and among providers, and even populations within a geographic area. Focus on geographic variation has intensified as policymakers struggle to identify strategies to contain costs. While the U.S. has regions with relatively high spending, there also are pockets of very low spending.

TrendWatch

The Road to Meaningful Use: What it Takes to Implement Electronic Health Record Systems in Hospitals

Policymakers and health care providers increasingly recognize health information technology (IT) as a tool for providing efficient, high-quality care. Today, hospitals and physicians use health IT to store health information electronically, facilitate clinical decision-making, streamline clinician workflows and monitor population health. Research suggests that these activities can facilitate more effective care and potentially lower long-term costs for the health care system.

Maximizing the Value of Post-acute Care

Today, patients often require a diverse array of services to treat major health episodes, manage chronic disease and pursue independent, healthy living. While many patients receive care in the physician's office or inpatient hospital settings, a variety of other settings are available to patients who need certain specialized follow-up care. These services, described collectively as post-acute care (PAC), support patients who require ongoing medical management, therapeutic, rehabilitative or skilled nursing care. This TrendWatch discusses the value of PAC in the health care continuum and explores how PAC providers can serve as important partners – both for acute-care hospitals and for one another – in improving quality and reducing costs over an episode of care.

Clinical Integration – The Key to Real Reform

Clinical integration holds the promise of greater quality and improved efficiency in delivering patient-centered care. This TrendWatch explains what clinical integration is and examines its importance to reforming our delivery system. The report's case studies demonstrate the range of clinically-integrated hospital initiatives in existence today and illustrate how arduous and challenging the legal barriers can be.

Since 2003, HRET has presented the TRUST Award to individuals who have exhibited visionary leadership in the health care field and who symbolize HRET's mission of leveraging research and education to make a dramatic impact in policy and practice. Glenn D. Steele, Jr., MD, PhD, president and chief executive officer of Geisinger Health System, Danville, PA, is the 2010 TRUST Award recipient. He was honored at a reception held during the 2010 AHA/Health Forum Leadership Summit in San Diego in July.

Studies

Hospitals Continue to Feel Lingering Effects of the Economic Recession

Although the U.S. economy is beginning to show signs of recovery, hospitals continue to be adversely impacted by the lingering effects of the economic recession, according to a March/April 2010 survey of hospitals. The survey data reveals that patients continue to delay or forgo care as family budgets remain tight with 70% of hospitals reporting fewer patient visits and elective procedures. Exacerbating this trend, nearly nine in 10 hospitals reported an increase in care for which the hospital received no payment at all.

The Economic Contribution of Hospitals

In 2008, America's hospitals treated 123 million people in their emergency departments, provided care for 624 million outpatients, performed 27 million surgeries, and delivered 4 million babies. Every year, hospitals provide vital health care services like these to millions of people in thousands of communities. However, the importance of hospitals to their communities extends far beyond health care. The health care sector is an economic mainstay, and hospitals provide stability and even growth during times of recession. Hospitals employ more than 5 million people and create over $2 trillion of economic activity.

The Cost of Caring: Sources of Growth in Spending on Patient Care in Hospitals

As the place where the most complex care is provided for ill and injured patients, hospitals account for the largest share (33%) of the health care dollar and as such are a significant driver of growth in health care spending. An understanding of the factors driving this growth is critical to the debates about health care costs and affordability.

AHA's Resources in Quality and Performance Improvement

As the research and educational affiliate of the AHA, the Health Research & Educational Trust (HRET) actively synthesizes and translates research into actionable knowledge, strategies and tools that help hospitals and health systems improve the delivery of health care in the communities they serve. Together with *Hospitals in Pursuit of Excellence* (HPOE), the AHA's strategic platform for accelerating performance improvement, the AHA in 2010 greatly expanded the resources, tools and information on quality and performance improvement it provides to hospitals and health systems.

Here are some of the ways in which HRET and HPOE together made an impact for AHA members during 2010:

★ More than 1,000 hospitals nationwide, working in partnership with their state hospital associations, are actively participating in On the CUSP: Stop BSI, HRET's national engagement project to reduce the rate of central line-associated bloodstream infections (CLABSI). A preliminary analysis conducted among more than 400 participating hospitals showed a 35% reduction in CLABSI in adult ICUs. Visit www.onthecuspstophai.org for more information. A similar project focused on reducing catheter-associated urinary tract infections (CAUTI) was launched in September, and a third effort targeting infections in outpatient dialysis facilities will launch in 2011.

HRET
HEALTH RESEARCH & EDUCATIONAL TRUST
In Partnership with AHA

★ Through HPOE, six leadership guides on topics related to quality and performance improvement were produced, with more than 13,000 copies downloaded from the HPOE website. Among the topics addressed were reducing avoidable readmissions, implementing electronic health records, achieving high performance and evaluating and selecting capital financing strategies.

★ HPOE greatly expanded the informational resources available on its website (www.hpoe.org), now providing more than 200 case studies of hospital performance improvement initiatives as well as more than 250 links to other resources and tools. The HPOE Live! webinar series included a series of programs on quality and performance improvement.

★ HRET is working closely with state hospital associations and several national organizations to promote and support the successful distribution and implementation of patient safety tools and educational materials from the Agency for Healthcare Research and Quality (AHRQ). During 2010, more than 600 hospitals participated in face-to-face workshops or web conferences on such tools as TeamSTEPPS, Quality Indicators (QIs), and Door to Doc. More than 200,000 copies of consumer patient safety educational materials reached hospitals in 44 states.

★ In a project funded by AHRQ, HRET examined human resource practices for enhancing safety and quality in health care and developed case studies of successful strategies and practices at five hospitals. *Using Workforce Practices to Drive Quality Improvement: A Guide for Hospitals* discusses and illustrates with specific examples how high-performance workforce and human resource practices can positively impact the quality of hospitals and health care institutions.

hospitals in pursuit of excellence
Accelerating Performance Improvement

★ Under HPOE, the AHA expanded its leadership development activities with the creation of the AHA Health System Reform Fellowship, launched in early 2011. The new fellowship, designed for senior executives, will provide participants with a road map on how to design and plan for new payment and care delivery models. This six-month course takes its place alongside the nationally renowned AHA-NPSF Patient Safety Leadership Fellowship, a year-

Providing Ideas and Information

Health Forum: Advancing Performance Excellence

Health Forum is a strategic business enterprise of the AHA which develops and delivers information and innovative services to help health care leaders achieve organizational performance excellence and sustainability.

Three titles, *Hospitals & Health Networks, Trustee* and *Health Facilities Management* help leaders create delivery systems of the future. Whether facing governance challenges or new codes and standards for hospital design and construction, this vital and timely information is available on a daily basis. Also, under the AHA press imprint, eight new titles – ranging from mergers to ICD-9 Coding handbooks were published in 2010.

The American Hospital Associations' Central Office serves as the official U.S. clearinghouse for medical coding and provides officially sanctioned coding guidelines and advice. These coding systems serve an important function for quality review and hospital reporting.

Health care leaders can depend on AHA Data for a comprehensive understanding of the health care market, competitive marketplace analysis and benchmarking. This data is essential for health care business and product development.

Health Forum's educational programs, including the Health Forum/AHA Leadership Summit and the Rural Health Care Leadership Conference, offer cutting-edge insights to guide health care organizations in the post-reform area. Speaker's Express, has a tremendous roster of distinguished health care leaders and experts available for management and board meetings.

Personal Membership Groups: Delivering Expertise, Value

The AHA's 10 personal membership groups (PMGs) represent more than 33,000 mission-driven members who are committed to improving health care through professional leadership and development. Through their membership base, which includes risk managers, strategic planners and environmental engineers, among others, they provide education and resources to improve hospitals' performance.

PMG leaders from across the country play an important role in advancing the hospital agenda on issues like medical liability reform, reducing hospital-acquired infections, improving construction and fire codes, and managing prevention and wellness programs. PMGs' partnership with the AHA fosters strong working relationships between the groups and creates opportunities for reinforcing the AHA's advocacy message by petitioning, writing letters and e-mailing regulatory officials or members of Congress on issues of concern to their constituents. Because of their expertise, they often take center stage as AHA or national hospital advocates on Capitol Hill.

For more, visit http://www.aha.org.

The American Hospital Association's CENTER FOR HEALTHCARE GOVERNANCE

Leading the Way toward Board Excellence

The Center for Healthcare Governance is a community of board members, executives and thought leaders dedicated to advancing excellence, innovation and accountability in health care governance. The Center is the AHA's full-service resource for governance education, research, best practices and practical tools and information. We provide access to the most renowned experts in health care governance, whether on our executive staff, our National Advisory Board or our broad network of strategic partners and sponsors.

The Center recognizes that hospitals and their boards have varying needs depending on their size, communities, pressing concerns, business strategies and other factors. That's why we offer an array of informational resources, including online governance resources, publications and research reports; conferences; consulting services; and peer-to-peer networking opportunities. This enables members to choose and use exactly what they need in ways they find most convenient.

For more information, visit www.americangovernance.com.

AHASolutions

A Trusted Resource

AHA Solutions is actively focused on improving the operational performance of our nation's hospitals. Through a broad variety of services, we provide hospitals with field leadership, education and research. We engage with hospital leaders to understand their most pressing operational issues, then identify high-value products and services that address the hospitals' most critical challenges. We perform extensive research and due diligence to identify optimal solutions – and award exclusive endorsements to those that best resolve those challenges. And we provide extensive, issue-focused education and research to the hospital communities.

Recognizing that critical staffing issues threaten hospital performance and quality of care, we co-founded the National Healthcare Career Network, which aligns more than 200 trade associations and professional societies on a common platform, connects health care employers with more than 2 million highly qualified candidates and nurtures careers in health care.

With our vested interest in improving hospitals' organizational performance, we also provide vendors looking to enter into or expand success in the health care field with education and product marketing consulting services, through Healthcare MarketMPact. We work with the suppliers providing them with customized strategic services, to ensure that by the time new products reach market, they have been fully assessed and vetted by the AHA.

IFD: Reflecting Those We Serve

The Institute for Diversity in Health Management seeks to increase the number of people of color in health services administration to better reflect the increasingly diverse communities they serve, and to improve opportunities for professionals already in the health care field. The following is just a sample of our offerings:

- The Summer Enrichment Program – This 12-week internship program pairs top minority scholars with mentors in leading health care organizations.
- Scholarships – Our Scholarship Program provides financial support to help fund graduate education for students preparing for a career as a health administrator through three scholarship programs.
- Education – Through monthly webcasts and teleconferences with respected experts in the field, we keep the field up to date on the latest research surrounding diversity management and cultural and linguistic competence.
- Expertise – We offer specialized and technical consulting on cultural competency issues, language assistance programs, diversity education and training and a host of subjects to assist members with their diversity initiatives.

For more information, visit www.diversityconnection.org.

Randy Walker, chief diversity officer for the Henry Ford Health System, accepts a recognition plaque at the Institute's 2010 conference. Henry Ford was identified by the Institute's benchmarking survey as a "best in class" organization in the category of "strengthening a diverse workforce throughout the organization." From left to right are Institute President and CEO Fred Hobby, former Institute president Dr. Rupert M. Evans, Walker, and former Institute president and founder General (Ret.) Walter F. Johnson, III.

long intensive professional development program for clinical and administrative leaders dedicated to improving patient safety and quality. This program will welcome its 10th class of fellows in July 2011.

★ HRET's online toolkits on collecting race, ethnicity and primary language data; HIV testing in emergency departments; and HIV testing and screening cost and reimbursement were viewed more than 22,000 times during 2010.

As the AHA-wide platform for accelerating performance improvement, HPOE draws upon the resources of the entire association, including the American Organization of Nurse Executives, AHA Solutions, the Center for Healthcare Governance, Health Forum, HRET, the Institute for Diversity in Health Management, and the AHA's Personal Membership Groups.

Through its partnership with the AHA, HRET supports AHA members in many ways that provide new information, insights and perspectives to address emerging health care issues. In addition to conducting applied research and managing the HPOE platform, HRET also provides staff support to the AHA Committee on Research and the AHA Long-Range Policy Committee. The AHA Committee on Research develops and monitors the AHA's research agenda and in 2010 produced the Strategic Issues Forecast 2015. It also published three research synthesis reports—on ACOs, bundled payments and patient-centered medical homes—to examine current literature and key considerations for hospital and health system leaders. More than 9,000 copies of these reports were downloaded during 2010.

The AHA Long-Range Policy Committee annually prepares an extensive analysis of a key issue facing hospitals and health systems. In 2010, HRET supported the development of the committee's report *A Call to Action: Creating a Culture of Health*, which focuses on how hospitals can promote health and wellness in their organizations and communities.

Visit www.hret.org and www.hpoe.org for the latest information and resources on quality and performance improvement from the AHA.

AONE: Leading Nurse Leaders

The American Organization of Nurse Executives (AONE) is the national organization of nurses who design, facilitate and manage care. With more than 7,000 members, AONE is the voice of nursing leadership in health care. Since 1967, the organization has provided leadership, professional development, advocacy and research to advance nursing practice and patient care, promote nursing leadership excellence and shape public policy for health care. AONE's 48 affiliated state and metropolitan chapters and its alliances with state hospital associations give the organization's initiatives a regional and local presence.

Telling the Hospital Story

Keeping Members in the Know

When news breaks that affects the health care field, the AHA is there, putting the information you need to do your job more effectively at your fingertips.

Our *Special Bulletins* bring you the most relevant facts – fast. When news breaks, our staff works quickly to sort through the facts quickly to tease out what you need to know, now.

Similarly, AHA seeks to bring members in-depth analysis of the most pressing issues. Our detailed *Regulatory Advisories* break down complex, lengthy rules to spell out the essential provisions and what they mean for hospitals, while *Quality Advisories* keep you apprised of the latest developments and federal requirements. Our *Legislative Advisories* summarize the key elements of pending and recently passed legislation, while *Legal Advisories* bring you the latest news on compliance and other requirements.

And of course, you can count on *AHA News Now* to keep you up to date on the news of the day and *AHA News* to provide more in-depth coverage, as well as a valuable window into what your colleagues around the country are doing to improve care and support their communities.

In addition, AHA hosts biweekly interactive Internet briefings to update members on the latest health care-related developments and answer your questions in real-time.

In 2011, we're enhancing the ways we bring you information: www.aha.org will be refreshed to make accessing information faster, easier and more intuitive, while an enhanced digital version of *AHA News* will provide members with an even higher level of service. We'll also be expanding our online presence to places like Facebook and Twitter.

Working with the Media

AHA provides a hospital voice to local and national media outlets responding to breaking news. In 2010, through media outreach, reporters heard the hospital perspective on important issues such as ACA implementation, advancement of health IT and quality improvement. AHA offers a response to breaking news of the day in print, on television, radio and the Web.
As the media landscape continues to change; the AHA recently launched a Twitter account to help keep the field informed on issues that affect hospitals and to tell the hospital story.

Taking charge. AHA Secretary Michael Guerin (left) swears in Richard P. de Filippi (right), a member of the Cambridge Health Alliance board, as 2010 AHA chairman. The ceremony took place at the AHA's 2010 Annual Membership Meeting in Washington, DC.

The American Hospital Association brings extraordinary value to my health care system and the entire industry. Most recently, their proactive and insightful leadership during the early days of the Health Care Reform through present-day dialogue has been invaluable. AHA provides an immense ROI to its members.

Daniel L. Gross
DNSC, Executive Vice President, Hospital Operations with Sharp HealthCare
San Diego, CA

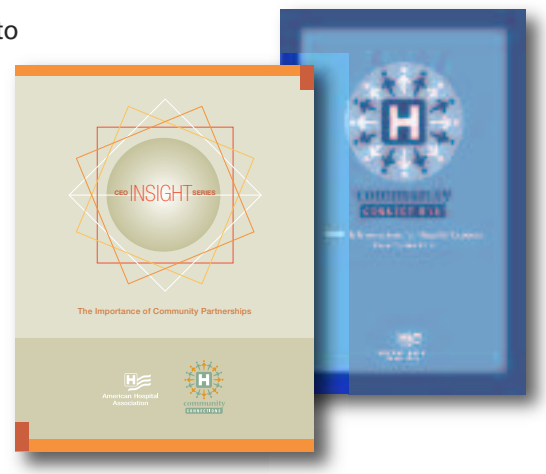
MAKING THE COMMUNITY CONNECTION

January 2006 marked the launch of AHA's Community Connections initiative as every hospital CEO received a case example book with examples of innovative programs that took caring outside hospital walls. Created to help hospitals reaffirm their rightful place as a valuable and vital community resource, this initiative taps into local hospital leadership and outreach to effectively tell the hospital story.

Community Connections remains a powerful member resource and advocacy tool. In 2010, Community Connections provided the field:

Ideas & Innovations for Hospital Leaders: Case Examples 6 –Thanks to the continued response from the field, this latest installment of case examples highlights the great community benefit and community outreach activities in which hospitals are engaged.

CEO Insight Series: Importance of Community Partnerships – A resource that spotlights hospitals and health systems that have successfully collaborated with local community organizations to improve and promote health within their communities. The booklet focuses on partnerships that promote care coordination and wellness and prevention. It identifies common learnings and themes from successful partnerships and offers insights into the impetus behind successful programs, the role hospitals play in such partnerships, suggestions for measuring and communicating success, lessons on funding and sustainability and then advice to others who may be looking to create similar community partnerships.



The Coalition to Protect America's Healthcare

The Coalition to Protect America's Healthcare, of which the AHA is a founding member, continued to support hospital advocacy initiatives through television, radio and print advertising that inform the public about the important role hospitals play in the lives of all Americans. Recent ads focused on reductions to Medicare reimbursement caused by coding changes and the need to extend Medicaid funding. For more information, visit www.protecthealthcare.org.

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