American Hospital Association®

2014 ANNUAL MEETING

Advocacy Messages

Your Mission on Capitol Hill:

1. Tell the Positive Hospital Story

of how hospitals are transforming health care delivery and improving quality.

2. Stress the Need for Predictability

as hospitals grapple with these seismic changes amidst the repeated threat of payment reductions.

3. Urge Help to Protect Vulnerable Populations

as payment cuts and regulations threaten to reduce access to care.

1. Tell the Positive Hospital Story

America's hospitals are in the midst of a seismic change — transforming the way care is delivered to improve patient quality, safety and satisfaction, better coordinate care, improve community health and reduce costs. But they need help to continue their progress.

Moving the Dial on Quality. More than 1,500 hospitals participating in the AHA's Health Research & Educational Trust (HRET) Hospital Engagement Network (HEN) improved care for more than 69,000 patients over the past two years while reducing health care costs by nearly $202 million. Among other improvements, participating hospitals reduced:

- early elective deliveries (which can increase complications) by **57%**;
- ventilator-associated pneumonia by **34%**;
- pressure ulcers by **26%**;
- central line-associated blood stream infections (CLABSIs) in intensive care units by **23%**;
- catheter-associated urinary tract infections (CAUTIs) by **18%**;
- avoidable readmissions for heart failure patients by **13%**;
- all cause readmissions by **6%**; and
- surgical site infections by **6%**.

URGE YOUR LEGISLATORS TO:

- Remove red tape that prevents hospitals, physicians and other caregivers from working as a team. (See back side for specifics.)
- Take steps to rein in Recovery Audit Contractors (RACs) by supporting the Medicare Audit Improvement Act (H.R. 1250/S. 1012). (See back side for specifics.)

2. Stress the Need for Predictability

Hospitals cannot effectively transform the health care system without a predictable revenue stream. Every time Congress grapples with a budget crisis, hospitals face additional cuts and even greater uncertainty. In the past four years alone, Medicare and Medicaid payments for hospital services have been slashed by more than $121.9 billion. Hospitals cannot continue to do more with less.

URGE YOUR LEGISLATORS TO:

- Reject further cuts to Medicare and Medicaid funding for hospital services and support real solutions as Congress looks for ways to reduce spending. Specifically, reject:
  - Site-neutral payment policies for hospital outpatient departments;
  - Reductions in payments to hospitals for assistance to low-income Medicare beneficiaries (bad debt);
  - Reductions to payments for graduate medical education;
  - Additional across-the-board cuts to Medicare inpatient hospital rates through the use of coding adjustments;
  - Restrictions in Medicaid provider assessments;
  - Reductions to rural hospital programs, including critical access hospitals; and
  - Changes to the 340B program.
- Support the Two-Midnight Rule Coordination and Improvement Act (H.R. 3698/S. 2082), legislation that directs CMS to further delay enforcement of the two-midnight rule and take a more thoughtful approach by developing a new standard that will provide clarity on whether a patient should be billed as an inpatient or outpatient.

3. Urge Help to Protect Vulnerable Populations

Hospitals offer a lifeline to our nation's most vulnerable populations — the uninsured, the poor, the elderly and the disabled. But mounting cuts and changes in regulation are threatening hospitals' ability to continue to provide the essential services these populations rely on.

URGE YOUR LEGISLATORS TO:

- Support the DSH Reduction Relief Act (H.R. 1920/S. 1555), which would provide relief from the first two years of scheduled cuts to the Medicare disproportionate share hospital (DSH) program, which provides additional support to hospitals treating vulnerable patient populations.
- Take steps to ensure access to care in rural communities is uninterrupted by supporting:
  - The Critical Access Hospital (CAH) Relief Act (H.R. 3991/S. 2037), which would remove the 96-hour physician certification requirement as a condition of payment for CAHs.
  - The Protecting Access to Rural Therapy Services Act (H.R. 2801/S. 1143), which would adopt a default standard of "general supervision" (rather than "direct supervision") for outpatient therapeutic services and hold hospitals and CAHs harmless from civil or criminal action regarding CMS's retroactive reinterpretation of the standard.
- Support the Establishing Beneficiary Equity in the Hospital Readmission Program Act of 2014 (H.R. 4188), which would adjust the Medicare Hospital Readmissions Reduction Program (HRRP) to account for certain socioeconomic and health factors that can increase the risk of a patient's readmission, such as being dually eligible under Medicare and Medicaid, ensuring that hospitals are not unfairly penalized.

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FAST FACTS

DSH — Because the Affordable Care Act (ACA) was estimated to expand public and private health care coverage to **32 million** more Americans by 2019, Congress deemed it appropriate to cut Medicare DSH payments to hospitals, reasoning that hospitals would care for fewer uninsured patients as health coverage is expanded. However, with the uncertainty of the new marketplaces and Medicaid expansion, the promise of health care coverage improvements may not be realized for some years to come.

Rural Health — Approximately **46 million** Americans live in rural areas and depend upon the hospital serving their community as an important, and often only, source of care. The nation's nearly **2,000** rural community hospitals frequently serve as an anchor for their region's health-related services, providing the structural and financial backbone for physician practice groups, health clinics and post-acute and long-term care services. In addition, these hospitals often provide essential, related services such as social work and other types of community outreach. Rural hospitals have additional challenges due to their often remote geographic location, small size, limited workforce and constrained financial resources. Compounding these challenges, rural Americans are more likely to be uninsured and to have lower incomes, and they are, on average, older and less healthy than Americans living in metropolitan areas.

Readmissions — A body of research demonstrates that readmissions are higher in communities that are economically disadvantaged. The Medicare Payment Advisory Commission concurs that changes need to be made to the **HRRP**, urging Congress and CMS to alter the calculation of the payment penalties to recognize that sociodemographic factors affect the likelihood that a patient will be readmitted.

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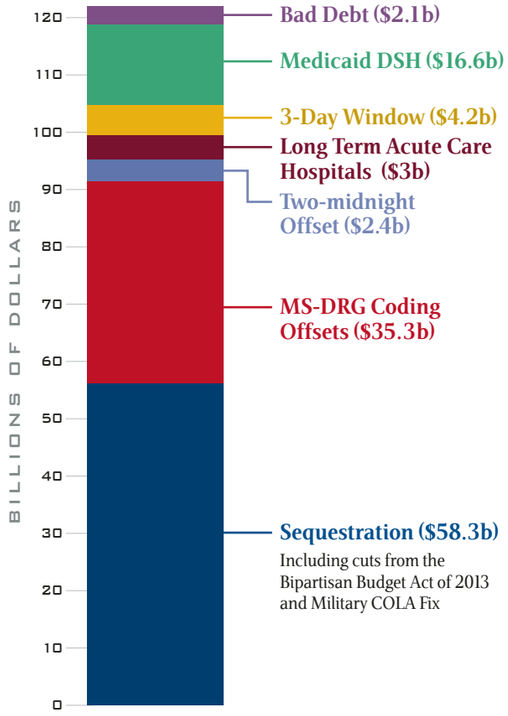
FAST FACTS

In 2012, hospitals provided nearly **$46 billion** in uncompensated care, for a total of more than **$413 billion** in uncompensated care since 2000.

Underpayment by Medicare and Medicaid to U.S. hospitals was **$56 billion** in 2012.

- Medicare reimbursed **86 cents for every dollar** hospitals spent caring for these patients.
- Medicaid reimbursed **89 cents for every dollar** hospitals spent caring for these patients.

Since 2010, Medicare and Medicaid payments for hospital services have been slashed by more than **$121.9 billion**.



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FAST FACTS

In 2012, community hospitals:

- treated **133 million** people in their EDs;
- provided care for **542 million** other outpatients;
- performed **26.8 million** surgeries;
- had **34.4 million** patients admitted; and
- delivered nearly **4 million** babies.

Barriers to Clinical Integration:

Hospitals, physicians and other caregivers are working to build the care system of the future, today. But, in many instances, outdated regulations can prevent them from working together to coordinate care. Hospitals need:

- user-friendly antitrust guidelines and safe harbors that promote instead of hinder clinical integration;
- changes to the Stark patient referral laws;
- amendments to the civil monetary penalty law;
- changes to the anti-kickback laws; and
- clarifications from the Internal Revenue Service.

Recovery Audit Contractor (RAC) Facts:

- Nearly **60%** of the hospital medical records reviewed by RACs are found to have no overpayment error[1].
- **RAC** auditors are typically nurses and therapists, who are paid to second guess the medical expertise of the physicians who treated Medicare beneficiaries.
- **49%** of hospital denials are appealed[1] and **72%** of appeals brought before an ALJ are overturned in favor of the hospital[2].

H.R. 1250/S. 1012 would:

- establish a limit for medical record requests;
- impose financial penalties on RACs that fail to comply with program requirements;
- make RAC performance evaluations publicly available; and
- allow denied inpatient claims to be billed as outpatient claims when appropriate.

[1] AHA RAC*Trac* survey, Q4 2013 data.
[2] Office of Inspector General, Nov. 2012.

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