



American Hospital  
Association

**HIGHLIGHTS**  
**GOVERNING COUNCIL MEETING**  
**AHA Section for Small or Rural Hospitals**  
**June 2-3, 2014 ★ Salt Lake City, UT**

The Governing Council of the AHA Section for Small or Rural hospitals met June 2-3, 2014 in Salt Lake City, UT. Governing Council members were briefed on the current Washington political, legislative, and regulatory policy environment. Members reviewed and discussed several policy issues including principles for payment reform, construction of a short-stay payment policy, and population health. Members also considered a case example on the Utah Rural Independent Hospital Network (URIHN). A **roster of the Section's governing council** is available on our Web site.



**Washington Legislative Update:** Members received a briefing on the political environment and the upcoming election. They were advised on the potential threat to hospital payment as Congress looks to reduce the deficit or fund other programs. Members assessed the outcome of the Protecting Access to Medicare Act of 2014 and [AHA's advocacy agenda for rural hospitals](#). Members endorsed the importance of the **AHAPAC** and the work of the **Coalition to Protect America's Health Care** to communicate our message to the public.

**Washington Regulatory and Policy Update:** Governing Council members reviewed and discussed recent rule and policy making and AHA's responses. They were briefed on:



**Rule, (date released)**

- Inpatient PPS Proposed Rule, (April 30)
- Burden Reduction Final Rule, (May 7)
- Meaningful Use Flexibility Proposed Rule, (May 20)
- Payment of Premiums and Cost-Sharing, (May 21)
- Direct Supervision HOP Panel Meeting August 25-26, (May 9)



**340B Federal Court Decision on Orphan Drugs:** Governing Council members were updated on the status of [340B drug pricing program](#) and in particular the status of "orphan drugs." HHS's 2013 final rule **allowed certain 340B hospitals to purchase orphan drugs** through the 340B program when they did not use the drugs to treat conditions for which the orphan drug designation was given. AHA supported HHS as a [friend of the court](#) to preserve access for hospitals affected by the 340B Orphan Drug exclusion. On May 27, the U.S. District Court for DC ruled for PhRMA and against the HHS. As a result of the ruling, **HHS's final rule is no longer in effect**. Nevertheless, HHS and its Health Resources and Services Administration recently [said](#) on its website that it will continue to allow certain hospitals to purchase "orphan drugs" through the 340B Drug Pricing Program when the drugs are not used to treat the orphan condition.

**Principles for Payment Reform:** At the spring round of policy and governance meetings, Governing Council members discussed how hospitals and health systems are “redefining” themselves based on value, quality and care coordination. The input received from the spring meetings was shared with the AHA Board of Trustees in May and they agreed that a set of principles should be created to help guide the development of recommendations for payment reform. A draft set of principles to help guide the development of recommendations was shared with Governing Council members for review and discussion.



**Construction of a Short-stay Payment Policy:** Last August, CMS finalized its “two-midnight” policy, whereby physicians should admit a beneficiary if they expect a patient to remain in the hospital for at least two midnights, or if the beneficiary requires a procedure that is specified as “inpatient only.” This policy; however, fails to provide adequate reimbursement for beneficiaries who require inpatient care, but don’t meet the two-midnight benchmark for admission. If passed, legislation introduced in the House and Senate requires CMS to implement a new payment methodology for short inpatient stays in FY 2015. In the IPPS proposed rule, CMS requested comments on a short-stay payment policy. Members were asked for input on a set of draft principles regarding the design of a Medicare inpatient hospital short-stay payment policy. AHA will share its comments with CMS for the short-stay policy.

**Population Health:** Hospitals engage in efforts to improve the health of their patients and communities in ways that are as diverse as the populations they serve. Members volunteered examples of initiatives used to engage a defined population to significantly improve their health as well as initiatives used to improve geographic population health.

**Utah Rural Independent Hospital Network:** As health care reform progresses, rural providers are considering several partnership opportunities. The Utah Hospital Association works directly with its nine independent hospitals in a network designed specifically to address their needs and concerns related to quality and financial stability, and then implement projects to address those needs. Governing Council members learned of the URIHN’s purpose, form and function.



The [Shirley Ann Munroe Leadership Award](#) recognizes small or rural hospital CEOs and administrators who have achieved improvements in local health delivery and health status through their leadership and direction with a **\$1,500 stipend** to offset the cost of attending an AHA educational program. The 2014 Application can be found [HERE](#). Contact Jumel Ola 312-422-3345 for additional information.

**For more information** about the topics covered in these highlights or on the **AHA Section for Small or Rural Hospitals**, contact John T. Supplitt, senior director, at 312-422-3306 or [jsupplitt@aha.org](mailto:jsupplitt@aha.org).