



**American Hospital
Association**

FOR IMMEDIATE RELEASE

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NEWS RELEASE

HOSPITALS SUE FEDERAL GOVERNMENT FOR UNFAIR MEDICARE PRACTICES
*Government's failure to fulfill financial obligations for care provided to Medicare patients
strips hospital resources*

WASHINGTON (November 1, 2012) – The American Hospital Association today filed suit against the U.S. Department of Health and Human Services (HHS) for refusing to meet its financial obligations for hospital services provided to some Medicare patients. The AHA was joined in the suit by four hospital systems in states including Michigan, Missouri and Pennsylvania. At issue is the Administration's refusal to reimburse hospitals for reasonable and necessary care when the government in hindsight believes that such care could have been provided in an outpatient facility or department instead of in the inpatient portion of the hospital itself. When a patient needs treatment, the first step is for a doctor to decide whether to admit the person to the hospital or to provide care in an outpatient facility. The decision is often complicated for Medicare patients because of advanced age and the presence of other ailments, such as diabetes or high blood pressure, which makes the physician's decision as to where best to treat them more difficult.

Hospitals and doctors are now routinely being second-guessed about these difficult treatment decisions by government-sponsored recovery audit contractors (RACs). RACs, which are paid primarily on the basis of how much Medicare funding is taken back from hospitals and physicians, review these care decisions years later without ever seeing or talking to the patient. Not surprisingly, when hospitals appeal these questionable decisions, they prevail at least 75 percent of the time.

When RACs decide that care could have been provided in an outpatient facility or department instead of an inpatient setting, hospitals must return the funding they received years earlier. They then get

little or often no reimbursement for the “outpatient” services they provided even though there is no dispute whatsoever that the care received was reasonable and necessary. The only dispute is whether it could have been delivered in an outpatient department instead of in the hospital.

“What the federal government is doing is wrong, unfair and a clear violation of federal law,” said Rich Umbdenstock, president and CEO of the AHA. “Doctors and nurses provide the best care possible using their medical judgment and training. Allowing government auditors to second-guess these difficult medical decisions about where to best treat a patient years later based on a cold record and then refuse to pay for that care is indefensible.”

The AHA is asking the court to overrule this nonpayment policy and reimburse hospitals that have been denied payment in the past. The AHA filed suit in the U.S. District Court for the District of Columbia. For a copy of the complaint, visit www.aha.org.

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About the AHA

The American Hospital Association (AHA) is the national organization that represents and serves all types of hospitals, health care networks, and their patients and communities. Close to 5,000 hospitals, health care systems, networks, other providers of care and 42,000 individual members come together to form the AHA. Founded in 1898, the AHA provides education for health care leaders and is a source of information on health care issues and trends. For more information, visit the AHA Web site at www.aha.org.