



American Hospital Association®

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STATEMENT ON NEW CMS HOSPITAL CHARGE DATA

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There are many parts of the health care delivery and financing systems that urgently need updating, and the matter of “charges” is among those at the top of the list. “Charges” were a central part of the former cost-based reimbursement system that disappeared from the scene decades ago.

Today, the Medicare program no longer negotiates hospital payment rates – it unilaterally sets them through annual regulations, resulting in payments that now average about 95 cents on the dollar of Medicare-allowable costs, according to the Medicare Payment Advisory Commission (MedPAC.)

In addition, large insurance companies negotiate rates with individual hospitals based on an array of factors, including each hospital’s proposed rates, scope of services, and accessibility to and reputation within the community. It would create serious antitrust risks for hospitals to share the proposed or negotiated rates with each other. Variation in charges, therefore, is a byproduct of the marketplace so all parties must be involved in a solution, including the government.

Hospitals have long followed AHA’s guidelines on financial assistance for those of limited means. In addition, all tax-exempt hospitals are required by federal law to have financial assistance policies readily available to those who cannot afford to pay for their hospital

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care. Hospitals were pleased to be able to provide \$41 billion in total assistance in 2011. The complex and bewildering interplay among “charges,” “rates,” “bills” and “payments” across dozens of payers, public and private, does not serve any stakeholder well, including hospitals. This is especially true when what is most important to a patient is knowing what his or her financial responsibility will be.

That is why for years, the AHA has supported federal price transparency legislation (H.R. 1326). More than 40 states already require or encourage hospitals to report information on their charges or payment rates, and make those data available to the public. This legislation would build on this system by requiring states to provide hospital charge and insurer information.

The AHA and its members stand ready to work with policymakers on innovative ways to build on efforts already occurring at the state level, and share information that helps consumers make better choices about their health care.

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