



**American Hospital
Association®**

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Today's hospital bill is a symptom of a broken payment system. Nationally, hospitals deal with over 1,300 insurers, each having different plans, all with multiple and often unique requirements for hospital bills. Add to that decades of governmental regulations which have made a complex billing system even more complex and frustrating for everyone involved. In fact, Medicare rules and regulations alone top more than 130,000 pages, much of which is devoted to submitting bills for payment. Clearly, this is an unworkable system for everyone involved.

America's hospitals have been working hard to simplify billing. They work with insurers, physicians and others through the Patient Friendly Billing Project to provide clear, easy-to-understand billing and financial information to patients. Many hospitals provide price information on their Websites; many states, working with their state hospital associations, provide public information as well. More than 40 states already require or encourage hospitals to publicly report information on hospital charges or payment rates to the public. The AHA has supported legislation that would require all states to provide this information. This is a work in progress, but be certain we're committed to providing more useful information for consumers.

Patients may look at a hospital bill and think the prices they see only reflect the direct care they received, when in fact what's reflected are all the resources required to provide the care – the nurse at the bedside and the myriad staff who keep the hospital running 24 hours a day, seven days a week -- bundled into the price of every item on a hospital bill.

Keeping life-saving services such as neonatal intensive care units, trauma centers and burn units available 24 hours a day, seven days a week, is cost intensive. This standby capacity is not explicitly funded, but patients and communities depend on it – no, expect it -- to be there when they need it because hospitals treat everyone who walks through their emergency department doors, including people who don't have insurance or can't pay. In 2011 alone, hospitals provided \$41 billion in uncompensated care. The cost of covering these patients and for making up for payment shortfalls by government programs are built into all bills as well.

It's important to keep in mind that what is charged and what is eventually paid are two different numbers. Because nearly all of a hospital's payments are set either by government, which pays less than the cost of caring for patients, or through negotiations with private insurance companies, the vast majority of patients do not pay what is listed on the hospital bill – which is why one in four hospitals operate in the red. What is most important and relevant to patients is

how much they will pay out-of-pocket. Because insurers determine how high their customers' out of pocket rates will be, customers need insurers to provide real-time information.

Yes, we recognize health care is expensive, and hospitals have worked hard to hold down costs. Some progress has been made with recent data clearly showing that hospital costs and price growth have slowed; the rate of growth in hospital cost per service is at a decade-low. Hospitals remain committed to helping bend the cost curve for their patients, communities and the nation.

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