



American Hospital  
Association

# ADVOCACY

## *Alert!*

Monday, June 22, 2009

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**NEED ACTION FROM .....** *Hospital leaders*  
**ACTION .....** *Urge your representative to object to*  
*House reform bill's hospital cuts*  
**WHEN .....** *Immediately and during June 29-July 3*  
*recess*

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## HOUSE REFORM BILL CUTS BILLIONS FROM PAYMENTS FOR HOSPITAL SERVICES

*Urge your representative to reject proposed cuts*

The hospital field supports true health care reform, but we must band together to fight cuts that are contained in the draft reform bill released by House leaders Friday. The cuts come in two major areas:

**Permanent update cut:** The draft bill proposes a *permanent* cut to Medicare's annual hospital Market Basket updates that we estimate could cut payments for hospital-based services by an estimated \$150 billion or more over 10 years. The bill also includes an aggressive readmissions policy that would cut billions more.

**Public plan paying Medicare rates:** The draft proposes a public insurance plan that would pay Medicare rates for hospitals for the first two years. After that, the rates would be set by the HHS secretary ... and we have no reason to believe those rates would surpass Medicare rates. With a fairly rapid phase-in, the public plan would eventually be available to all, potentially attracting millions more patients to a plan that continues the underpayment for hospital services. If rates continued at Medicare levels, an estimate by the private consulting firm Lewin shows, the plan could result in as much as **\$36 billion in annual lost revenues** to hospitals.

**Please see the attached fact sheets** for more information on these two issues. And please contact your representative today. Also, take advantage of the upcoming June 29 - July 3 congressional recess to help your representative understand that hospitals are for true reform ... but arbitrarily cutting hospital payments does not help patients or communities.

*(Call 1-877-242-2240 or e-mail [AHAadvocacy@aha.org](mailto:AHAadvocacy@aha.org)  
to let us know how your Hill contacts go ... thanks!)*



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## FACT SHEET:

# Permanent Market Basket Cut

- The AHA strongly opposes a permanent annual reduction to the Medicare inpatient Market Basket update that could cut hospital payments across all services by an estimated \$150 billion or more over 10 years.
- Included in the House draft health care reform bill, the permanent cut comes as a “productivity adjustment” that reduces annual inpatient, outpatient, inpatient rehabilitation (IRF), long-term care hospital, psychiatric hospital, skilled nursing facility (SNF) and home health agency market basket updates by "productivity growth" (estimated at 1.3% for FY 2010). In addition, SNF and IRF payments would be frozen for FY 2010, and home health payments would receive a coding adjustment and freeze, for a 5.5% reduction in 2010.
- The proposed permanent cut is on top of an additional \$41 billion in cuts over 10 years in the FY2010 Medicare proposed rule for inpatient PPS.
- Medicare payments to hospitals are already severely underfunded. The Medicare Payment Advisory Commission (MedPAC) projects hospitals will have a *negative* 6.9 percent Medicare margin in 2009 – down from a *positive* 6.3 percent Medicare margin in 1999 – the lowest level in more than a decade.
- According to AHA annual survey data, a staggering 58 percent, or 2,840 hospitals, lost money serving Medicare patients in 2007.
- Other potential cuts that could exacerbate hospitals’ financial health include penalties for hospitals not recognized as “meaningful users” of health information technology, and “pay-for-reporting” penalties related to the quality measures reporting program.



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## FACT SHEET:

# The Public Plan Option

- A public plan option should be limited to the uninsured, the self-employed and small businesses ... those who need a different alternative in order to get the health care coverage they need.
- Broadening the scope of such a plan beyond these categories threatens to cause a “run” on the plan, with people who have insurance simply signing up for the cheaper alternative, and with business owners tempted to stop providing insurance because the public plan is available to their employees; actions that would not further the goal of lessening the numbers of uninsured.
- A new public plan should not exacerbate the underpayment of providers by paying rates at Medicare levels. The Medicare Payment Advisory Commission (MedPAC) projects that hospitals will have a *negative* 6.9 percent Medicare margin in 2009 – down from a *positive* 6.3 percent Medicare margin in 1999 – the lowest level in more than a decade.
- A recent study by the independent consulting firm Lewin shows that, if a public plan were to pay for hospital services at Medicare rates, it could result in as much as \$36 billion in annual lost revenues to hospitals as people shift into this plan because of the lower premiums achieved by underpaying providers.