



**American Hospital
Association**

SPECIAL BULLETIN

February 26, 2009

WHITE HOUSE 2010 BUDGET OUTLINE INCLUDES HOSPITAL PROVISIONS

The 2010 budget outline released by the White House today includes several measures affecting hospitals. While the outline offers few details, the Obama Administration announced that it would create a 10-year reserve fund of more than \$630 billion to finance health reform efforts, with half of that amount coming from new revenues such as higher taxes on wealthier Americans, and the other half from program savings. Here are the budget savings that we know of so far that would affect hospitals:

- Bundling payments for hospital care and post-acute care: savings of \$17.84 billion over 10 years.
- Paying hospitals with certain readmission rates less for patients readmitted within 30 days: savings of \$8.43 billion over 10 years.
- Linking a portion of inpatient hospital payment to performance on specific quality measures: savings of \$12.09 billion over 10 years.
- The budget outline also cites the need to address physician self-referral to facilities in which they have a financial interest.

AHA staff will comb through the detailed budget when it becomes available, and we of course will get you details on issues that could affect you. Meanwhile, read on for our take on what we know so far.

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THE 2010 BUDGET OUTLINE – THE AHA’S POSITION

- We are steadfast in our commitment to health care reform, which ought to start with expanding coverage for all. We commend President Obama for making health reform a top priority among the many challenges facing our nation.
- The President has called for reducing the deficit, enacting health reform and retooling our nation’s entitlement programs. However, today’s budget presents an incomplete picture, as it’s unclear what shape entitlement reform and the remainder of health reform will take.
- Given the economic pressures faced by hospitals, which serve as the nation’s health care safety net—and given that both Medicare and Medicaid already pay hospitals less than the cost of providing services—it is essential to proceed with caution, as hospital services for people in need have already been cut at the state and local levels. We are concerned about any cuts that affect the work hospitals do for their communities during this economic downturn.
- We support efforts to make health care more affordable such as focusing on wellness and prevention; better coordinating care; eliminating physician-self referral to hospitals in which they have an ownership interest; utilizing comparative effectiveness research to determine the most effective care; moving toward the adoption of information technology; creating alternative liability systems; and reducing administrative costs.
- A careful and thoughtful approach to experimenting with **bundled payments for post-acute services** and providing incentives for improving quality of care through **value-based purchasing** are areas worthy of consideration. However, we are concerned about the design in the budget for value-based purchasing that cuts payments up front,

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since we believe that overall savings can be achieved by improved care leading to fewer medical visits. As it appears in the budget outline, bundling of hospital and post-acute payments is problematic. We believe that there are other payment methods that would improve coordination of patient care across settings.

- Arbitrary policies that assume many **hospital readmissions** are not appropriate raise concerns. Determining preventable readmissions is a complex undertaking. Re-admitting a patient to a hospital is a decision made by dedicated physicians and other caregivers in the best interests of the patient.
- We applaud the Administration for recognizing the need to address **self-referral**, and we look forward to receiving details on how that would be done.