

February 20, 2013

A MESSAGE TO AHA MEMBERS:

Time Magazine is slated to run a cover story about hospitals bills on Thursday, Feb. 21. The piece examines patients' actual bills and the charges for specific items. As a media partner with Time, CNN is working on a two-part series: the first part is scheduled to run on Wednesday, Feb. 20, at 8 p.m. and 10 p.m. ET; the second part will air Thursday, Feb. 21, on the same topic. We also understand that the issue of executive compensation and financial health of hospitals may be examined. We have spoken with CNN and highlighted that the items found on a hospital bill reflect the entirety of the care a patient receives and that 60 percent of hospitals' costs go to the people caring for people. We also noted how hospitals work hard to help patients understand their bills and shared several examples.

Hospital billing, costs and charges can be particularly technical and difficult issues to explain to the public. With this renewed media interest, it is a good opportunity for all hospitals to:

- Review some of the actual bills you send to patients, be aware of your internal policies and be prepared to discuss them publicly.
- Share and discuss the issues addressed in this advisory with your senior managers and relevant department heads, including the heads of admissions, finance and communications, as well as with your consumer advocates.
- Confirm that your organization's governance body is informed about these issues and aware of your policies and procedures.
- Communicate with patients about the services and assistance available to them regarding their bills.
- Remind patients that hospitals have patient advocates to talk with them about billing questions.

This advisory includes some general themes and messages on hospital bills, the cost of caring, transparency and requirements for tax-exempt hospitals that may be raised locally. We encourage you and your entire team to be certain that you are familiar with your organization's policies and procedures, and how to talk about them with patients, families and the public.

THEMES AND MESSAGES

Cost of Caring

About two-thirds of every dollar spent by hospitals provides wages and benefits to caregivers and other staff helping to care for patients. The price a patient sees on the hospital bill reflects the people who care for them, not just the services provided, such as:

- ✓ The nurses and caregivers at the bedside;
- ✓ Pharmacists, lab techs, food service staff, environmental service professionals and security personnel who, among many others, keep the hospital running 24/7; and
- ✓ Disaster readiness teams, burn units and care for those who can't afford it.

Complex Billing System

Our health care system is complicated, with a confusing billing system. Decades of regulations have made a complex system even more frustrating. That's why hospitals have worked hard to simplify a patient's bill.

- ✓ Many hospitals work with insurers, physicians and others through the **PATIENT FRIENDLY BILLING®** project to provide clear, easy-to-understand billing and financial information to patients. Clearly, this is a work in progress, but it's something we're committed to improving.

Transparency

Hospitals are committed to providing price information to consumers.

- ✓ More than 40 states already require or encourage hospitals to report information on hospital charges or payment rates, and make that data available to the public.
- ✓ Hospitals have a uniform set of charges. Sharing meaningful information, however, is challenging because hospital care is individually tailored to each patient's needs.
- ✓ The chargemaster is individual to each hospital. All hospitals are unique, and the needs of communities vary.

Hospital Underpayment

What hospitals charge and what hospitals are paid are two very different things. Medicare and Medicaid pay less than the cost of caring for patients. Additionally, as America's health care safety net, hospitals see, treat and heal uninsured and underinsured patients every day.

- ✓ For Medicare, hospitals received payment of only 91 cents for every dollar spent by hospitals caring for Medicare patients in 2011.
- ✓ For Medicaid, hospitals received payment of only 95 cents for every dollar spent by hospitals caring for Medicaid patients in 2011.

- ✓ Hospitals provided more than \$41 billion in uncompensated care in 2011.
- ✓ Nationally, one in four hospitals operates in the red.

Requirements in the Affordable Care Act

The Affordable Care Act requires tax-exempt hospitals to have a written financial assistance policy, and to limit charges for those who qualify for financial assistance to no more than the amounts generally billed to individuals who have insurance – which the IRS’s proposed regulations are driving toward the same amount as Medicare pays.

Controlling Costs Is a Top Priority at Hospitals

Hospitals across America are examining ways to make care more affordable by better coordinating care, reducing red tape and providing the right care at the right time in the right setting.

- ✓ Hospitals have managed to hold costs down by keeping health care spending growth at historically low levels for the third straight year.
- ✓ The Hospital Engagement Network has begun to see improvements across hospitals in nine clinical areas and in readmissions. Improvements yielded an estimated cost savings of more than \$74 million in 2012.

ADDITIONAL RESOURCES

- AHA’s letter of support for the Health Care Price Transparency Promotion Act (<http://www.aha.org/advocacy-issues/letter/2012/120521-let-pollack-green.pdf>).
- Several state hospital associations provide websites that allow consumers to receive basic, facility-specific information about health care services and charges. For example, the Wisconsin Hospital Association’s site is <http://www.wipricepoint.org/>.
- AHA factsheet (<http://www.aha.org/content/12/CostofCaring2012.pdf>) that shows what is driving up the cost of care.

AHA’S STATEMENT TO CNN

Understanding a hospital bill can be frustrating for patients. Today’s hospital bill is a symptom of a broken payment system. Decades of regulations have made a complex billing system even more complex and frustrating for everyone involved.

That’s why America’s hospitals are working hard to try to simplify billing. Hospitals 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 already 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 report information on hospital charges or payment rates and make that data available to the public. The AHA has supported legislation that would require all states to provide this information. Clearly, this is a work in progress, but 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 care they received. In fact, what it takes to provide the care – the nurse at the bedside and all the staff who keep the hospital running 24 hours a day, seven days a week – is bundled in to 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 expensive. This standby capacity is not explicitly funded, but patients and communities depend on it – and expect it – to be there when they need it. Hospitals treat everyone who walks through their emergency department doors, including people who don't have insurance or can't pay. In 2011, hospitals provided \$41 billion in uncompensated care. The cost of covering these patients is built into all bills as well.

It's important to keep in mind 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.

We recognize health care is expensive, which is why hospitals have worked hard to hold costs down. Recent data shows that hospital costs and price growth have slowed. Hospital cost per service is at a decade-low. Hospitals are committed to helping bend the cost curve for their patients, communities and the nation.

FURTHER QUESTIONS

Please do not hesitate to contact us with any questions regarding this advisory. You can contact Marie Watteau, director, media relations, at (202) 626-2351 or mwateau@aha.org, or AHA Member Relations at (800) 424-4301.