Statement
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The American Hospital Association (AHA), Federation of American Hospitals and Catholic Health Association have proposed a cap of $155 billion in hospital cost savings over 10 years to help finance health reform in this country. The proposed cap would include:

- $103 billion over 10 years from market basket reductions. On average, this would equate to an annual reduction in market basket of minus 1 percent. However, cuts would be “back-loaded,” i.e., low in the early years and increased in the later years.
- $50 billion total over 10 years from Medicare and Medicaid disproportionate share hospital (DSH) reductions. DSH cuts would equate to about 40 percent of the total DSH funds and will be phased down over five years (2015-2019), so there would be no cuts for the next six years. Within the DSH cut is a trigger in 2013 (the data year on which 2015 DSH payments will be based). If the number of uninsured has not declined as much as expected in 2013, there will be a corresponding decrease in the DSH cut. However, if the number of uninsured has increased more than expected by that time, there will not be an increase in the DSH cuts.
- $2 billion over 10 years from a readmission cut.
- There will be no indirect medical education (IME) cut, but there will be a small increase and redistribution of resident slots.

THA’s preliminary estimate of the amounts of cuts that would come from Tennessee hospitals is $3.6 billion over 10 years, with $2.6 billion resulting from the market basket reduction. It should be noted that this represents a framework from which congress will work and the final package is likely to look different.

Coverage for all individuals has been a major initiative of THA and it appears the American Hospital Association (AHA) has been able to negotiate a favorable plan. While there will be cuts to hospitals, depending on how the benefits plan and financing is done, it could mean additional payments to hospitals to cover the uninsured.

If all patients are covered by credible insurance, hospital revenues will increase as charity care goes away. AHA conservatively estimates that, nationally, hospitals will receive an additional $171 billion per year in the form of reimbursement for the newly covered uninsured.

To put the proposal in perspective, the president’s reform plan as originally proposed would have cut hospital payments by approximately $224 to $254

billion over 10 years, including a 75 percent reduction in Medicare and Medicaid DSH payments.

While Medicare inpatient prospective payment system (IPPS) hospitals have received a full market basket update for the past six years, the Centers for Medicare and Medicaid Services (CMS) had a history of providing a reduced market basket update prior to 2004. In the eight years from 1996 through 2003, CMS reduced the market basket seven of the eight years, ranging from reductions of 0.55 percent to 2.7 percent.

The agreement is being negotiated with representatives of the Obama administration and leaders of the Senate Finance Committee, and was announced at a White House press conference this morning.

One area of concern to THA is the proposed public program. If it is not properly structured, it could force the private insurance system out of existence. THA believes private insurance companies should be allowed to participate in the public program, robustly regulated, offering a benefits package equal to the federal employee health benefits program.

THA and hospitals in Tennessee heartily support healthcare reform. It is good for patients and hospitals, and we all agree there are long-term problems with the current system.

THA and other leaders in the state have been studying health reform options in considerable depth for the past two years. In order to accomplish sustainable reform, we know the U.S. must achieve universal coverage, allowing virtually everyone access to basic health benefits that adequately compensate hospitals for their cost in delivering care to each patient. We also must simplify the healthcare delivery system for patients and providers alike, substantially reducing the administrative red tape currently required.

In addition, hospitals cannot accomplish this level of savings without the cooperation of doctors, who play a major role in determining what care is prescribed and delivered to each patient.