



**March 2016**

## **Attention Member of the Senate:**

### **The Hospital Improvements for Payment (HIP) Act**

The implementation of the Affordable Care Act changed many of the processes regarding healthcare, creating a larger debate on healthcare systems and their efficiency. Through this debate, many issues have been uncovered with various aspects of Medicare, especially about payment. In May 2014, the House Ways and Means Health Subcommittee Chairman Kevin Brady (R-TX-8) and Ranking Member Jim McDermott (D-WA-7), held a hearing to explore some of the current issues with Medicare. Particularly, this hearing covered “misaligned incentives between inpatient and outpatient hospital payments, use of auditors to recoup money improperly paid to hospitals, unintended consequences of using auditors to solve a payment issue,” the two-midnight policy, and the “Obama Administration’s decision to deny providers their appeal due process rights.” This hearing was the precursor to the creation of the Hospital Improvements for Payment (HIP) Act that was finalized on December 8, 2014.

#### **Background**

To understand the impact the HIP Act will have on these ongoing issues, further detail into the key issues of the Act, including the payment systems, the two-midnight policy, and the RAC program, is necessary. First, the Act aims to fix the issues between payment systems. There are currently two regulatory proposals used by the Centers for Medicare and Medicaid Services (CMS) for reimbursement; the inpatient prospective payment system (IPPS) and the outpatient prospective payment system (OPPS). Each of these systems reimburses in different ways, using different code systems that cannot be interchanged. Therefore, hospitals must know both coding systems and both payment systems in order to receive Medicare reimbursement. This system is inefficient for hospitals and leads to potential misleading incentives between programs.

The HIP Act would correct many of these issues that exist with the current Medicare payment systems such as the issues between payment systems, the current definitions of a short stay, the problems associated with the two-midnight policy, and reform to the Recovery Audit Contractors (RAC) program. In addition, the HIP Act includes 19 different “Ways and Means Member Hospital Priorities” provisions that have been evaluated by committee staff.

#### **Conclusion**

The HIP Act is vital to tackle the many consequences that exist with the current healthcare systems in place. In order to provide care effectively, efficiently, and to ensure transparency for patients, the payment systems and stay definitions must be clear for the hospitals. Programs such as the two-midnight rule policy and the RAC program must be addressed before the issues created by them become larger. This is a complex problem that needs a comprehensive solution and the HIP Act is that solution.

#### **Recommendation**

AAHAM urges you to introduce a Senate companion to Representative Kevin Brady’s (R-TX) bill *the Hospital Improvements for Payment Act*.