



Hospital Improvements for Payment (HIP) Act of 2014

Fact Sheet

On May 20, 2014, Ways and Means Health Subcommittee Chairman Brady and Ranking Member Dr. McDermott held a hearing on *Current Hospital Issues in the Medicare Program*. The hearing explored these key issues:

- Potentially **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, including an increase in provider appeals and observation stays—which has caused coverage problems for beneficiaries and;
- Obama Administration’s **“two-midnights”** policy; and
- Obama Administration’s decision to **deny** providers their appeal **due process** rights.

Subcommittee Chairman Brady came out of the hearing with a clear understanding that a chain of events has caused a number of problems, namely:

1. After identifying a hospital payment issue, the Obama Administration used auditors to attempt to clean up the issue;
2. In response to a massive audit and denial effort on short hospital stays, hospitals responded by appealing Recovery Audit Contractor (RAC) denials;
3. As result of hospital appeals, as well as other provider/supplier appeals, over the course of five years, there are nearly 800,000 claims back-logged waiting to be addressed.

This is a **complex problem** that needs a **comprehensive solution**. Title I of the HIP discussion draft includes a comprehensive solution to this problem.

In addition to this complex problem, there are additional Medicare issues pertaining to hospitals that would improve care for seniors that must be addressed. As such, Republican Members of the Ways and Means Committee have identified **19 different policies pertaining hospitals**. Title II of the HIP discussion draft includes these priorities. It has been over 4 years since the last major legislation was passed that made payment changes that impact the way hospitals deliver care in the Medicare program. It is imperative that we address and consider these priorities as soon as possible.

The Ways and Means Committee welcomes public comment on the HIP discussion draft. Please send all comments on this discussion draft to HDDWAMR@mail.house.gov.