



FOR IMMEDIATE RELEASE
April 13, 2012

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Hooper, Lundy & Bookman Negotiates \$700 Million Settlement for Hospitals

(Los Angeles) Hooper, Lundy & Bookman, PC (HLB) is pleased to announce that it has secured a \$700 million settlement from the U.S. Department of Health and Human Services (HHS) on behalf of approximately 500 hospitals nationwide, including 200 California hospitals.

“The issue settled affected most of our hospital clients – from independent hospitals to national hospital chains and systems,” said lead attorney for the hospitals, Jon Neustadter. “ We are pleased to bring this case to a close, which represents several years of challenges at both the administrative and court levels.”

At issue in this case is what is known as the Medicare rural floor budget neutrality (RFBN) adjustment, which was created in the Balanced Budget Act of 1997, as part of the Inpatient Prospective Payment System (IPPS) for hospitals. Under IPPS, HHS pays hospitals a flat amount per discharge (also known as the “standardized amount”), which is adjusted by three factors: a weighting factor based on the costs of treating the particular condition (also known as a “Diagnosis Related Group”), a wage index factor based on labor costs in the hospital's geographic area, and an inflation factor.

The “rural floor” is intended to ensure that the wage index for urban hospitals in any given state is no lower than the wage index for rural hospitals in that state. Congress required HHS to ensure that the cost of raising the wage indexes for these urban hospitals was budget neutral. Thus, if computed properly, the RFBN adjustment would lower payments to all hospitals paid by the IPPS system to make up for the increased cost of establishing the rural floor.

However, instead of reducing Medicare payments to hospitals solely to account for the cost of the rural floor each year, HHS reduced payments each year beyond the amounts needed to achieve budget neutrality. Under the settlement agreement, HHS has agreed to pay the settling hospitals amounts associated with the RFBN adjustment error for fiscal years 1999 through 2011.

“Medicare providers that were not part of this settlement may well have an opportunity to pursue this issue,” Mr. Neustadter said.

About Hooper, Lundy & Bookman, P.C.: HLB is the largest law practice in the country dedicated solely to representing health care providers in complex litigation, regulatory and transactional matters. With clients in all 50 states and offices in Los Angeles, San Francisco, San Diego, and Washington, D.C., we serve a broad array of health care providers and suppliers, ranging from the largest national health care organizations, to community hospitals and other providers. For more information, visit the firm’s website at www.health-law.com.

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