

May 25, 2011 Letter on the Committee's 2011 Report to the Secretary

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The Honorable Kathleen Sebelius, Secretary
U.S. Department of Health and Human Services
200 Independence Ave, SW
Washington, D.C. 20201

Dear Secretary Sebelius,

Enclosed is a copy of the Committee's *2011 Report to the Secretary*. This report focuses on the rural implications of the following issues: childhood obesity, place-based initiatives for early childhood development, and Accountable Care Organizations and payment bundling.

Each of the chapters in the report focuses on an important rural issue and the Committee has also included a number of specific recommendations for your consideration. Below is a summary of the Committee's key findings on each topic:

Childhood Obesity

Studies have shown that 16.5 percent of rural children are obese compared to 14.4 percent of urban children. Rural areas lack appropriate nutritional food sources and children often do not feel safe enough to exercise outdoors. The Committee believes that as HHS addresses the problem of childhood obesity, rural children should be given priority. The Committee believes an interagency working group needs to be formed to develop and administer the comprehensive approach necessary to reduce the rate of childhood obesity. The Committee's recommendations to the Secretary include evaluating current provisions in the Affordable Care Act and the American Recovery and Reinvestment Act that support efforts to reduce childhood obesity in rural areas, and prioritizing funding for rural communities most in need.

Place-based Initiatives for Early Childhood Development

Rural children face some unique barriers that require more coordination in our approach to early childhood development. Geographic isolation and low populations make delivering comprehensive care a challenging task in rural areas. To achieve a place-based model in a

rural community, the Committee recommends offering non-categorical, community-based grants as well as collaboration grants for community-level cooperation. The Committee also believes a data strategy is critical to improving the coordination of services and overall efficiency.

Accountable Care Organizations and Payment Bundling

The Accountable Care Organizations (ACOs) and payment bundling provisions in the Affordable Care Act have the potential to bring much-needed change to health care, but the challenge lies in ensuring these new models are designed to work as well for rural providers as they do for urban providers. The growing costs and concerns over quality of care must be addressed, but it is important to remember the lessons learned from implementation of Medicare's Inpatient Prospective Payment System in 1983, a system whose design flaws had catastrophic effects for many rural hospitals. The Committee believes that rural communities must be included in the demonstrations of these mechanisms in order to best inform future Medicare policy development. The Committee recommends specific ways that rural communities can be supported, including revising the Small Rural Hospital Improvement Program to target ACO formation and creating payment bundling demonstrations that focus on care available in rural areas.

As you know, this year the Committee has moved away from the annual report format and is instead producing a series of white papers on key topics from the Affordable Care Act. Last month we sent you the first set of white papers on the Health Insurance Exchanges and the Community-Based Care Transitions Program. By the end of June, we will send you an additional white paper which discusses the *Rural Policy Implications for the Maternal, Infant and Early Childhood Home Visitation Program*.

We are currently preparing for a field meeting in Traverse City, Michigan next month. I look forward to sharing the results of that meeting with you.

Sincerely,

The Honorable Ronnie Musgrove