WISCONSIN HOSPITAL ASSOCIATION
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Please Support Rural Hospitals by Extending LVH/MDH Programs and Opposing Site-Neutral Cuts

- Without action by Congress, 16 WI hospitals will lose access to the Medicare-Dependent and Low-Volume Adjustment payments – a loss of over $19 million annually.
- Site-neutral payment cuts in HR 5378 would further jeopardize the viability of these hospitals.

WHA Ask:

Please Cosponsor: The Rural Hospital Support Act (S.1110) and Assistance for Rural Community Hospitals "ARCH" Act (H.R.6430)

Please Oppose Site-Neutral Cuts in HR 5378 as part of 2024 Spending Packages

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Protect Rural Hospitals from Critical Cuts

MDH & LVH Scheduled to Expire; Site-Neutral Would Exacerbate Challenges

Congress needs to reauthorize important provisions slated to expire in 2024 that have helped sustain mid-size rural hospitals and health systems, while at the same time protecting them from potential site-neutral payment cuts.

Background on the MDH and LVH Programs

Congress established the Medicare-Dependent Hospital (MDH) program in 1987, allowing hospitals with 100 or fewer beds that serve a high proportion of Medicare patients to receive a slightly enhanced reimbursement compared to the normal payment rate larger hospitals receive under the Centers for Medicare and Medicare Services (CMS) prospective payment system. These payments allow MDHs greater financial stability and leave them better able to serve their communities.

Similarly, Congress established the Low-Volume Hospital adjustment (LVH) in the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in response to a report from the Medicare Payment Advisory Commission (MedPAC) that warned about a widening gap between rural and urban hospital profitability. Congress expanded the program in 2010 and reauthorized it again in the Bipartisan Budget Act of 2018. The LVH program gives rural hospitals with low volumes between a 0-25% payment boost on a sliding scale based on their low volumes.

Unfortunately, both programs are set to expire October 1, 2024 and must be reauthorized by Congress to avoid serious cuts for Wisconsin hospitals.

WI Annual Impact of Losing MDH & LVH Designations

Congressional District	# Hospitals Impacted	Est. Annual Impact
Bryan Steil	1	$568,000
Mark Pocan	4	$7,578,000
Derrick Van Orden	2	$1,988,400
Scott Fitzgerald	3	$3,266,400
Glenn Grothman	4	$4,005,200
Tom Tiffany	2	$1,948,100
Statewide	**16**	**$19.35 million**

Source: AHA Analysis of 2023 IPPS Rule

The MDH & LVH Programs Help Hospitals Offset Losses from Medicare and Medicaid

Most rural hospitals in Wisconsin operate with fewer than 25 inpatient beds as critical access hospitals (CAHs) and are eligible to receive close to break-even rates from Medicare. However, rural hospitals above that threshold or that were otherwise ineligible for the CAH program would receive the normal PPS rate that larger hospitals receive which amounts to about 73% of the cost to provide care in Wisconsin. This would make it extremely difficult for them to operate since they do not have the same volumes of privately insured patients to offset losses from Medicare and Medicaid.

Medicare Underpayments are a Growing Problem for Wisconsin Hospitals

Because Wisconsin is an aging state, it is seeing a large shift in people moving off private insurance and onto Medicare. In fact, as of 2018, Wisconsin was tied for 16th among states with the highest percent of their population covered by Medicare, at 20%. Due to this, **annual Medicare underpayments to Wisconsin hospitals have grown from $2.36 billion in 2018 to $3.50 billion in 2021, a more than 67% increase over the last 5 years.** This problem can be particularly challenging for rural areas which tend to have a higher percent of their population at a Medicare eligible age.

Please Oppose Site-Neutral Payment Policies Being Considered in the House & Senate

Adding to the concerns for these rural hospitals, H.R. 5378, the Lower Costs, More Transparency Act, would impose site neutral payments for drug administration services at off-campus HOPDs, including those affiliated with rural hospitals.

- This would amount to an estimated cut of around $114 million over ten years to Wisconsin hospitals for services like cancer drug infusions and chemotherapy.
- Hospitals may respond to such cuts by bringing these services back onto their main campus, which would have the unintended effect of reducing access to care, and creating care bottlenecks.

Recent Report Confirms HOPDs are an Extension of Hospitals' Safety Net

A recent report by KNG Health commissioned by the American Hospital Association shows how HOPDs are a vital extension of the hospital safety net in terms of in providing care to medically underserved populations, including those who are sicker and have lower incomes.

The report compared Medicare patients seen at HOPDs, independent physician offices (IPOs) and ambulatory surgery centers (ASCs) between 2019 and 2021. It concluded patients treated in HOPDs had higher needs compared to other settings because of social determinants of health and higher clinical complexity. Among its findings were:

- HOPD patients were almost two times as likely to be dually eligible for Medicare and Medicaid, indicating both a higher rate of poverty and/or a long-term disability.
- HOPD patients were almost two times as likely to have a major complication or comorbidity as defined by the Centers for Medicare and Medicaid Services (CMS), indicating the need for more intense staffing to manage chronic conditions.
- HOPD patients were more than two times as likely to have had an emergency department or hospital inpatient stay in the last 90 days, indicating the need for more resources to care for these patients.

Site-Neutral Has Disparate Impact on Rural Hospitals

Contrary to what some have suggested, site-neutral cuts will have a real impact on rural hospitals. While it's true that most Medicare site-neutral proposals are unlikely to have a major impact on critical access hospitals, due to their cost-based reimbursement, that leaves out the fact that a significant number of rural hospitals are prospective payment system (PPS) hospitals and would see cuts to their fee-schedule based reimbursement under HR 5378.

Congressional District	10 Year Impact of HR 5378
Bryan Steil	$3.4 million
Mark Pocan	$1.9 million
Derrick Van Orden	$4.5 million
Gwen Moore	$43.3 million
Scott Fitzgerald	$12.6 million
Glenn Grothman	$9.4 million
Tom Tiffany	$262 thousand
Mike Gallagher	$14.7 million
Statewide	**$90.2 million**

Proposed Cuts Come at a Tenuous time for Wisconsin Hospitals

Recently released, state-mandated hospital fiscal data illustrates the challenging operating environment hospitals are faced with. ***In 2022, of the hospitals required to submit data, 139 (86%) experienced decreasing margins, with 65 hospitals (40%) actually operating in the red, including 10 of our rural hospitals running at a loss.*** These are the worst numbers we've seen in decades, including 2020, the incredibly difficult first year of the pandemic. The recently announced closures of hospitals in Eau Claire and Chippewa Falls illustrate just how challenging it is. Combined, those two hospitals alone lost $56 million over the last two years. Among the challenges they faced were the fact that their payor mix consisted of between 67%-87% Medicare and Medicaid patients.

Please Support Extending LVH/MDH and Oppose Site-Neutral Cuts as Spending Packages Develop

WHA asks for your support of H.R. 6430/S.1110 which would extend LVH and MDH programs for another 5 years, helping these hospitals sustain rural safety net services. Additionally, i***t is critical that site-neutral cuts from H.R. 5378 are not included in any omnibus legislation that develops as the House and Senate continue to negotiate 2024 spending packages.***