WISCONSIN HOSPITAL ASSOCIATION
ADVOCATE. ADVANCE. LEAD.

Please Support Extending COVID Relief for Hospitals

- Wisconsin has the 16th lowest Medicare per-beneficiary spending in the U.S.
- Wisconsin is tied for 16th in states with the highest percent of population on Medicare.
- Annual Medicare underpayments for WI hospitals grew from $1.77B in 2016 to $2.78B in 2020 – a 57% increase.
- COVID's workforce impact has led to rising labor costs amid historic inflation, while federal hospital payments are not keeping up.

WHA Ask:

Now is not the time to forget about hospitals that were the backbone of our nation's COVID response. Please work to:

- ***Extend Medicare sequester relief through all of 2022.***
- ***Extend funding for the Provider Relief Fund and Uninsured COVID care.***

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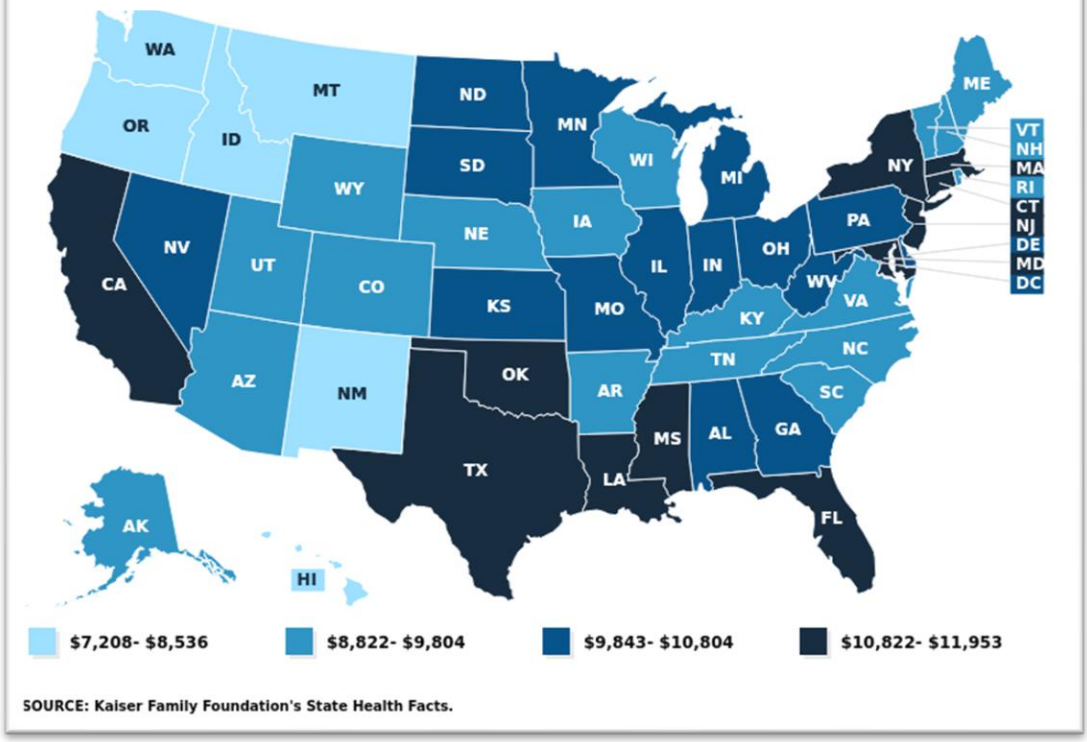
Hospitals Facing Mounting Fiscal Pressures

Low Medicare Payments Lead to Challenges in Post-COVID Landscape

Wisconsin has consistently ranked among the lowest states in per-beneficiary Medicare Spending, ranking 34th out of 50 states in 2019. Much of this is explained by the high-quality high-value health care that results in lower unnecessary utilization, but unfair federal payment programs such as the wage index also play a role.

Medicare's hospital area wage index was instituted in the late 1990s in an attempt to account for geographic variation in wages. While it started as a solid premise, over time it has been heavily gamed at the federal level. The worst example of this was the infamous Bay State Boondoggle which has resulted in an estimated $3.5 billion in higher Medicare payments for Massachusetts hospitals over a 10 year period at the expense of nearly all other states, including Wisconsin. In part as a result of this and other gamesmanship, in 2020, nearly all PPS hospitals in Wisconsin received a Medicare hospital wage index adjustment 2%-10% below the national average according to CMS data.

Medicare Spending Per Beneficiary: Wisconsin Ranks 16th lowest as of 2019 data.

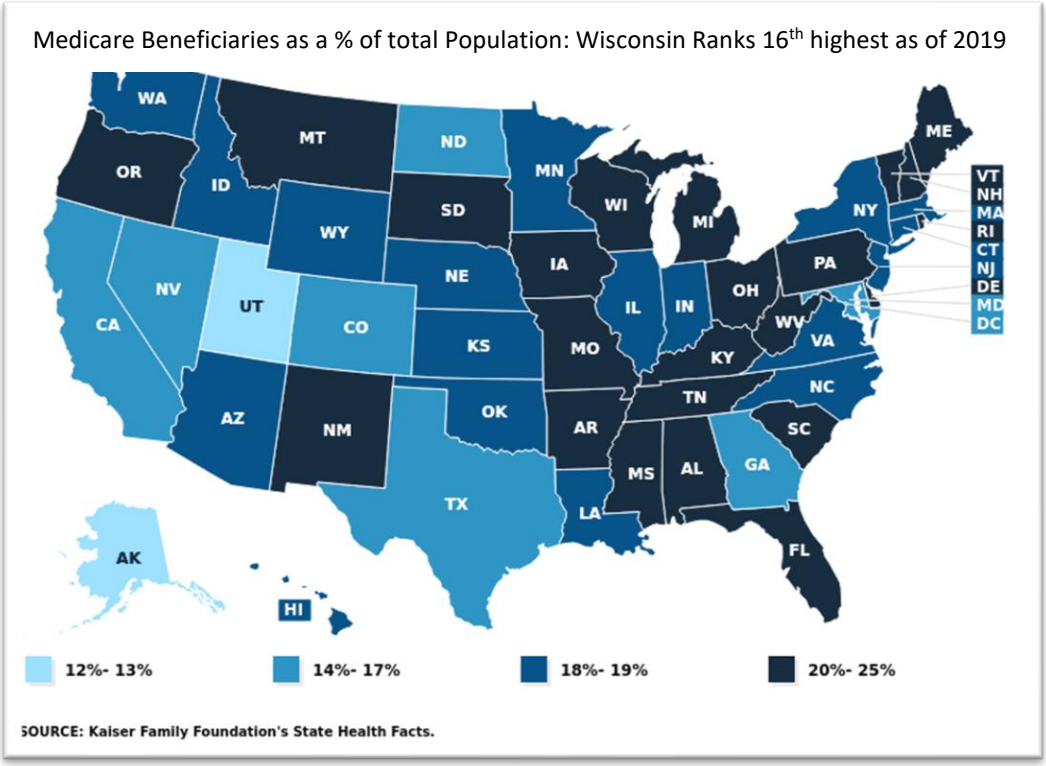


Changing Demographics Exacerbate Medicare Underpayments

In addition to Wisconsin being reimbursed less under Medicare, it also has a higher share of its population covered by Medicare than most states. As of 2018, Wisconsin was tied for 16th among states with the highest percent of their population covered by Medicare, at 20%. With Wisconsin's aging demographics, this percent is expected to only grow in the coming years. For instance, in 2015, Wisconsin had only nine counties with 20% of their population age 60 and older, and no counties with more than 40% of their population ages 60 and older. By 2030, Wisconsin is projected to have *no* counties with less than 20% of their population ages 60 and older, and 10 counties with more that 40% of their population ages 60 and older.[1]

[1] Wisconsin Department of Administration. Percent of Projected Population Ages 60 and Older. [Online] 2017. https://www.dhs.wisconsin.gov/publications/p01803.pdf

Given Medicare pays only around 73% of what it costs to provide care according to Medicare's Community Benefit Guidelines, hospitals will see patient revenues decrease as patients age and move off private insurance onto Medicare. In fact, **annual Medicare underpayments to Wisconsin hospitals have grown from $1.77 billion in 2016 to $2.78 billion in 2022, a 57% increase in 4 years.** The impact will be worse for hospitals located in the most rural areas which have the highest Medicaid populations.



COVID Relief has not Kept Up with COVID Impacts

The Provider Relief Fund (PRF) was a lifeline to hospitals that had shut down services temporarily in compliance with CMS and the U.S. Surgeon General, and that also had numerous expenses to expand patient care. These expenses included everything from PPE that surged in cost due to supply-chain shortages to needing to quickly retrofit patient rooms with negative pressure room ventilation systems to care for COVID patients. Unfortunately, the last date of eligible COVID-related PRF aid only covered costs/lost revenue up to March 31, 2021.

Fortunately, COVID cases have plummeted recently, and while the hope is we are returning to a post-covid normal, hospitals are facing mounting fiscal pressures stemming from COVID, including:

- Rising labor costs from a nationwide workforce shortage and historic inflation. Labor costs often make up 60% or more of a hospital's operating cost.
- Stagnant Medicare reimbursement: the 2021 proposed IPPS rule represents a net 0.3% decrease for inpatient hospital payments.
- Longer average lengths of stay due to hospitals treating higher-acuity patients and the lack of available long-term care settings for patients. These patients require more staffing resources and yet our antiquated payment structure does not take this into account.
- A return of the Medicare Sequester cuts at 1% on April 1, and 2% on July 1.
- Depletion of the COVID PRF and funding for COVID tests and treatment for the uninsured.

Despite these challenges, hospitals have worked hard in recent years to keep costs down. According to data from the Bureau of Labor Statistics, hospital prices have grown an average of 2.1% per year over the last decade, about half the average annual increase in health insurance premiums. However, with the combination of historic inflation, an unprecedented workforce shortage, and sustained underpayments by federal government health care programs, hospitals are facing significant fiscal pressures going forward. ***Now is not the time to end COVID financial support. As Congress considers supplemental COVID appropriations it should work to delay the Medicare sequester cuts for all of 2022, restore funding for the uninsured fund, and authorize additional PRF dollars for hospitals that experienced COVID related losses/costs in the delta and omicron waves.***