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**TO: Wisconsin's House Congressional Delegation**

**FROM: Eric Borgerding, President & CEO  
Jon Hoelter, VP Federal & State Relations**

**DATE: September 18, 2023**

**RE: WHA Opposition to Site-Neutral Cuts in H.R. 5378, the Lower Costs, More Transparency Act**

On behalf of our more than 135 hospitals and integrated health systems across the state, the Wisconsin Hospital Association asks you to help remove concerning site-neutral payment provisions in H.R. 5378, the Lower Costs, More Transparency Act.

**Specifically, it is critical that Congress removes section 203, which stipulates that Medicare pay drug administration services in hospital outpatient departments a lower rate based on the physician fee schedule. These cuts would amount to approximately \$114 Million in lower payments to Wisconsin hospitals over ten years.**

It is a well-known fact that *Medicare already underpays hospitals*. Based on WHA analysis of required annual hospital reports, Wisconsin hospitals are paid about 73% of what it costs them to care for Medicare patients, lower than the national average of about 84% of costs. And because Wisconsin is an aging state, these annual Medicare underpayments have grown from \$1.77 billion in 2016 to \$2.53 billion in 2021 – a 42% increase.

While Wisconsin is known for being a state that delivers high-quality healthcare, our hospitals are not rewarded for this. Most recently, [Wisconsin was awarded the 4th highest share of 5-star hospital ratings in the country by CMS quality rankings](#). Despite this, Wisconsin had the 9th lowest Medicare per-beneficiary spending on Medicare services in the country in 2021 [according to the Kaiser Family Foundation](#).

Given this disconnect, there have been efforts to move Medicare's payment system toward one that pays more for the value of care provided. Unfortunately, H.R. 5378 is a step in the wrong direction. It would simply pay hospitals lower rates without acknowledging that Medicare's existing payment system was designed to pay hospital settings more because they have higher costs associated with being the health care safety net that:

- provides emergency room and inpatient care 24 hours a day and 7 days a week
- provides more specialized care for patients with higher acuity needs
- serves patients regardless of their ability to pay, including a higher mix of Medicaid/Medicare patients.

While hospitals would have no issue with transitioning Medicare's payment system to one that more accurately captures the true higher/lower costs of different services, **it is simply illogical to think that Medicare should pay hospitals the same rate as other settings that do not provide these safety-net services and yet still expect hospitals to be able to maintain the safety-net services these higher reimbursements in-part currently fund. Yet, that is what this proposal does.**

Additionally, WHA asks that section 204, which requires each off-campus hospital outpatient department to obtain a new unique health identifier, be removed. This section would create a new administrative burden on hospitals, while providing a questionable (if any) benefit to accomplishing a stated goal of transparency. This is because off-campus

providers are already required to include the exact address and a modifier describing the type of site they are. This is essentially the same information that would be gathered from this requirement of obtaining a new modifier.

As you have heard from our hospital leaders in recent visits they have made to Washington, DC, the last few years have been extremely challenging for hospitals to navigate. While the strains of COVID are well behind us, its impact ripples on. Hospitals have continued to face supply chain shortages, high inflation, a sustained health care workforce shortage driving rising labor costs, severe challenges discharging patients due to nursing homes shuttering, and steep increases in drug costs, particularly given drugmakers' actions to deny 340b discounts at community pharmacies hospitals contract with.

Given these factors, many hospitals continue to face negative operating margins and these cuts could reverse the small gains for those hospitals who have managed to climb back into a positive balance.

**Please show your hospitals you support them by working to remove the site-neutral provisions in sections 203 and 204 from this legislation.**