



September 22, 2022

**Subject: California Hospitals' Legislative Priorities for Fall 2022**

Dear Members of the California Congressional Delegation:

On behalf of the California Hospital Association (CHA), thank you for your commitment to supporting California's hospitals and health systems. As you return to Washington to complete important legislation, we ask that you work with your colleagues to address significant issues facing our hospitals across the state.

Specifically, we urge the delegation to support key priorities to help mitigate the alarming fiscal deterioration facing our hospitals and health systems. The hospitals serving your communities are experiencing intense fiscal strain as a result of severe workforce shortages, skyrocketing expenses, and woeful underpayment from Medicare and Medicaid.

The COVID-19 pandemic has accelerated these persistent challenges. Nearly one-quarter of hospitals nationwide report critical staffing shortages, while labor costs have increased nearly 16%. Further, drug costs increased 41% and supply expenses have risen 19% over the last two years, with no end in sight.

During the height of the pandemic in 2020, California's hospitals collectively recorded an \$8.4 billion loss (including Provider Relief Funds) in financial results from 2019 to 2020. Without the vital federal support you helped secure through the Provider Relief Fund, hospitals would have suffered an unfathomable statewide loss of an estimated \$14.3 billion. Unfortunately, this support has expired.

Discussions around the eventual termination of the public health emergency (PHE), including the elimination of the 20% COVID-19 add-on payment, enhanced federal Medicaid matching for states, and key policy flexibilities that have been leveraged to preserve and bolster access to care, are creating additional pressures and uncertainty for hospitals as they continue to treat those who delayed care during the pandemic, new COVID-19 patients, and face a potential winter surge.

We are all eager to return to normalcy in our communities. However, we must not lose sight of the unprecedented economic impacts that our hospitals and health systems — the backbones of our communities' health care infrastructure — continue to absorb. We urge the delegation to pursue the following priorities in the final days of the 117<sup>th</sup> Congress.

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### **Support Financial Stability for All Hospitals**

- *Reverse Medicare Sequestration Cuts and Prevent Statutory PAYGO Reductions*

CHA appreciates that Congress has acted to temporarily stave off Medicare sequestration cuts to help hospitals through the COVID-19 pandemic. Sequestration cuts have no policy basis and further lower reimbursement for a payer that already pays just 73 cents for each dollar of care provided in California.

Regrettably, the 2% sequestration cut in direct Medicare payments resumed in July and will reduce payments to California hospitals caring for Medicare beneficiaries by \$432 million. In addition, the Congressional Budget Office estimates that a statutory Pay-As-You-Go (PAYGO) policy will be required for federal fiscal year 2023 and will require an additional 4% or \$628 million reduction in Medicare payments to California's hospitals. Together these cuts will remove \$1 billion from California hospitals' ability to care for patients next year.

Medicare cuts to providers of this magnitude are not acceptable at any time, let alone while they continue to manage the COVID-19 pandemic, systemic workforce challenges, and the alarming new labor, drug, and supply expenses. Congress should eliminate the 2% Medicare sequestration cuts and prevent a statutory PAYGO reduction to ensure that no further Medicare cuts to providers occur in 2023.

### **Support Safety-Net and Rural Hospitals**

- *Make Permanent Enhanced Medicare Low-Volume Payment Adjustment*

Eighteen hospitals in rural areas across California rely on enhanced payments provided through the Medicare low-volume payment adjustment to preserve access to care in their communities. The adjustment is a payment adjustment that boosts Medicare payments by up to 25% for hospitals with a relatively small number of patient discharges. These hospitals cannot achieve economies of scale. Together, hospitals in California that benefit from this program stand to lose \$16 million next year alone.

Please support H.R. 8747, the Assistance for Rural Community Hospitals Act, to extend this critical program that will expire on Oct. 1.

- *Modify the Harmful Medicaid Disproportionate Share Hospital (DSH) Cap Policy*

Section 203 of Title II addresses Medicaid extenders in the Consolidated Appropriations Act of 2021 and has changed how hospital-specific Medicaid DSH funding caps are calculated.

This new policy severely impacts access to essential federal supplemental support for many of California's public safety-net hospitals, which care for the highest share of low-income and uninsured individuals in the state. Effective October 2021, Section 203 disallows Medicaid dually-eligible enrollees (people eligible for both Medicaid and Medicare or other third-party payers) from DSH cap calculations and removes from consideration services that hospitals often provide at a financial loss. The DSH program is intended to help mitigate hospital losses for treating indigent patients; this policy is counter to that goal.

CHA urges Congress to work on a bipartisan basis to amend Section 203 and allow hospitals the flexibility to include payment shortfalls for services provided to all Medicaid dually-eligible patients in its DSH cap calculations.

### **Support Access to Care for Patients**

- *Reduce Unnecessary Burdens on Providers and Streamline Overutilization of Prior Authorizations in Medicare Advantage (MA)*

Although the MA Program is designed to cover the same services as traditional Medicare, we are concerned that some MA plans engage in practices, including inappropriate and excessive denials for prior authorization, which result in delays in care and can cause direct patient harm. A recent report issued by the Department of Health and Human Services' Office of Inspector General found that 13% of prior authorization denials and 18% of payment denials actually met Medicare coverage rules and should have been approved.

CHA supports the House-passed Improving Seniors' Timely Access to Care Act (S. 3018/H.R. 3173), which would streamline MA prior authorization requirements by eliminating complexity and promoting uniformity to reduce the wide variation in prior authorization methods that harm both patients and providers.

- *Extend PHE-Enabled Telehealth Policies and Flexibilities*

With the help of key policies and flexibilities allowed by Congress and the administration during the COVID-19 PHE, hospitals and health systems have successfully leveraged telehealth throughout the pandemic to preserve and bolster access to care. Earlier this year, Congress acknowledged the benefits of these telehealth advancements by enacting legislation to extend and expand telehealth flexibilities for 151 days after the end of the PHE.

CHA urges Congress to enact the House-passed Advancing Telehealth Beyond COVID-19 Act (H.R. 4040), which would allow Medicare patients access to innovative telehealth services through 2024.

- *Extend the Acute Hospital Care at Home Program*

In response to the COVID-19 pandemic, the federal government authorized a wide array of waivers to give hospitals and health systems flexibility to manage the increased strain on our health care system, address capacity issues, and ensure that care could continue to be delivered to all patients safely and effectively. This included allowing hospitals and health systems to apply for and establish Acute Hospital Care at Home programs for Medicare beneficiaries throughout the COVID-19 PHE. These programs allowed qualified patients to receive care in their homes while maximizing inpatient bed capacity at hospitals, reducing complications, cutting costs, and enhancing the patient experience. Unless Congress acts, the model will expire once the PHE is terminated.

Congress should extend the Acute Hospital at Home program by passing the Hospital Inpatient Services Modernization Act (S. 3792/H.R. 7053).

Thank you for your ongoing commitment and partnership as we work to overcome COVID-19 and ensure our hospitals and health systems can continue to be relied on by our communities beyond the pandemic.

Sincerely,

A handwritten signature in blue ink, appearing to read "Carla G. G.", is positioned below the word "Sincerely,".

President & CEO  
California Hospital Association