



September 15, 2023

SUBJECT: Lower Costs, More Transparency Act (H.R. 5378)

Dear Members of the California Congressional Delegation:

On behalf of more than 400 hospitals and health systems, I write to express my concern about the Lower Costs, More Transparency Act (H.R. 5378). While the legislation takes the critically important step of eliminating scheduled cuts to the Medicaid Disproportionate Share Hospital (DSH) program, it also cuts Medicare payments for hospitals.

We urge you to consider these issues separately. With more than half of California's hospitals losing money every day to care for patients, and many hospitals closing, filing for bankruptcy, and/or reducing critical services, now is not the time to cut Medicare payments OR allow cuts to Medicaid DSH providers.

Medicaid DSH payments provide more than \$1.3 billion in federal funding to safety net hospitals in California. These funds are vital to preserving access to care and expanding services to uninsured Californians. The Medicaid DSH cuts, which include an \$8 billion reduction nationwide, are scheduled to begin on Oct. 1, 2023, and would be devastating to California's safety net hospitals and their patients.

We are grateful that Congress understands how essential Medicaid DSH funding is to safety net hospitals and has repeatedly delayed the implementation of Medicaid DSH cuts. We are also grateful that the overwhelming majority of the California delegation has supported letters and legislation calling for a delay of the scheduled Medicaid DSH cuts.

At a time when California's hospitals are already struggling in the face of significant challenges — financial recovery after devastating losses during the pandemic, record inflation, and workforce shortages — blocking the scheduled cuts would preserve essential resources for providers caring for California's most vulnerable. By easing the burden of uncompensated care costs, Congress can support efforts to provide high-quality, accessible care to uninsured patients.

However, we are deeply concerned about the negative impact that expanding Medicare site-neutral payment policies to hospital outpatient departments (HOPDs), outlined in the legislation, will have on access to care for California's low-income seniors. Expanding Medicare's site-neutral payment policy to HOPDs will tip fragile hospitals into financial insolvency and force others to eliminate services, reducing access for many beneficiaries.

While it may appear that all care is equal — regardless of delivery setting — HOPDs are quite different in terms of the complexity of care they provide, the vulnerability of beneficiaries they serve, and additional rules with which they must comply. For example, 31% of beneficiaries receiving care in HOPDs were originally enrolled in Medicare due to disability and/or end-stage renal disease, compared to just 19% in independent physician offices. Beneficiaries undergoing a procedure in an HOPD were 2.8 times more likely to have visited an emergency department and 3.6 times more likely to have had an inpatient stay in the past 90 days than those receiving care in an ambulatory surgery center. Further, because of their safety-net roles, HOPDs have more comprehensive licensing, accreditation, and regulatory requirements than independent physician offices and ambulatory surgery centers.

California's disadvantaged and uninsured rely on hospitals, which in turn depend on adequate Medicare and Medicaid payments. Allowing the Medicaid DSH cuts to take effect and expanding Medicare site-neutral payment policies would jeopardize access to life-saving care for Californians who have little to no ability to obtain care in other ways.

We strongly support the delay of the Medicaid DSH cuts as outlined in H.R. 5378 and equally oppose the proposed Medicare cuts. We urge you to work with leadership to ensure access to care is preserved for all who need it.

Sincerely,



Carmela Coyle
President & CEO