



November 18, 2024

Members of the California Congressional Delegation:

In the final weeks of the 118<sup>th</sup> Congress, you will face decisions on significant health care issues. You'll have the ability to ensure hospitals are appropriately reimbursed for the care they provide, to require that insurance companies quickly approve care patients desperately need, to help rural hospitals stay open, and to guard against erosions in vital programs made possible by the 340B Drug Pricing Program. And, with each decision you make, patients in California will experience real consequences.

Hospitals are fragile. Every day, nearly half of all hospitals in California lose money delivering care. Another 12% are barely above break-even. With each vote, lawmakers will have the opportunity to either offer a lifeline or deliver another cut — but with your support, hospitals can continue to provide lifesaving, life-changing care to their communities. On behalf of more than 400 hospitals and health systems serving millions of Californians, we ask that you continue to put patients first.

### **Ensure Patients Receive Appropriate Care: Reject Site-Neutral Payment Policies**

Legislation before Congress would, for certain procedures provided in hospital outpatient departments, reduce payments to hospitals so they are equivalent to payments physician offices receive for the same procedures. Proponents of these “site-neutral” proposals suggest that the care provided is the same, regardless of setting, and therefore the price should be the same.

This argument neglects an important fact: Patients who receive care in hospital outpatient departments typically have more complex needs and benefit from the additional clinical services provided in those settings. Hospital-based services are more expensive for important and legitimate reasons; they often have more comprehensive licensing, accreditation, and regulatory requirements than independent physician offices or ambulatory surgery centers. These additional costs support a higher level of patient care. Cutting reimbursement for certain services would make it difficult for hospitals to continue to provide this care — and because some services may not be offered elsewhere in the community, patients would likely have difficulty accessing medically necessary health care.

**Please oppose any legislation that restricts payments based on the physical location where care is provided.**

499 So. Capitol Street SW, Suite 410, Washington, DC 20003 ■ Office: (202) 488-3740 ■ FAX: (202) 488-4418

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1215 K Street, Suite 700, Sacramento, CA 95814 ■ Office: (916) 443-7401 ■ [www.calhospital.org](http://www.calhospital.org)

## **Protect Vulnerable Californians: Restore Payments to Disproportionate Share Hospitals**

California's most vulnerable populations — including children, those over the age of 65, impoverished populations, and those living with disabilities — rely on programs made possible by Medicaid's disproportionate share hospital (DSH) program. More than 150 hospitals in California participate in the DSH program, which provides a financial lifeline supporting services such as trauma and burn care, maternal and child health, high-risk neonatal care, and more. DSH resources are also vital for delivering care to those without any health coverage at all.

Without congressional action, major cuts to this essential program are scheduled to take effect on Jan. 1, 2025, and would reduce payments to California's hospitals by as much as \$1.3 billion. Congress, understanding how essential Medicaid DSH funding is to these hospitals, has repeatedly delayed the implementation of Medicaid DSH cuts with strong bipartisan support. To preserve access to vital services, Congress must act again.

**Please delay cuts to this lifesaving program and ensure that hospitals can continue to serve their communities.**

## **Hold Insurers Responsible for Timely Care: Support the Improving Seniors' Timely Access to Care Act**

Legislation currently under consideration by Congress — the Improving Seniors' Timely Access to Care Act, H.R. 8702 and S. 4532 — would address pervasive problems in certain Medicare Advantage plan practices that lead to patient care being delayed or denied (documented in an [April 2022 report by the U.S. Department of Health and Human Services Office of Inspector General](#)). Specifically, the bills would establish standards for electronic prior authorization process, reducing the time allowed for a plan to consider requests.

Nearly 3.4 million Californians are enrolled in Medicare Advantage plans, many of whom live on modest incomes and have multiple chronic conditions that limit their daily living. Delays in access to care can cause irreversible harm and limit their ability to live independently. Medically necessary, doctor-approved care should not be delayed due to insurer red tape — ensuring timely access to care is crucial for patients' well-being. Burdensome Medicare Advantage prior authorization practices also lead to higher administrative costs for hospitals, which are forced to pursue lengthy appeals processes to justify medically necessary care for the patients they serve. This legislation would allow hospitals to focus critical resources where they can do the most good: on patient care.

**Please support the Improving Seniors' Timely Access to Care Act.**

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Corporate members: Hospital Council – Northern and Central California, Hospital Association of Southern California, and Hospital Association of San Diego and Imperial Counties

## **Help Rural Hospitals Continue to Care for Patients: Support the PEAKS and Rural Health Care Facilities Revitalization Acts**

Nearly 2 million people live in California’s rural communities — and their access to life-saving hospital care is at risk due to significant underpayment by the Medicare and Medicaid programs. Many small and rural hospitals in California mirror a troubling national trend: On average, they have seen their operating margins drop by a frightening 8 percentage points from 2019 to 2023. Between January 2013 and February 2020, more than 100 rural hospitals nationwide closed, including two in California — Corcoran District Hospital and Madera Community Hospital.

When a rural hospital closes, those in poor health, seniors, and people experiencing poverty suffer the most. Two key pieces of legislation would take important steps toward strengthening rural hospitals and their communities:

- The Preserving Emergency Access in Key Sites (PEAKS) Act, H.R. 7931, would help critical access hospitals maintain ambulance services in their communities. Without this assistance, many hospitals will be forced to reduce or even eliminate these crucial services.
- The Rural Health Care Facilities Revitalization Act, H.R. 5989, would make minor adjustments to an existing program, the U.S. Department of Agriculture’s Community Facility Direct Loan & Grant Program, to allow rural health facilities to participate in loans and grant guarantees. This funding is vital in keeping hospital doors open and protecting rural communities.

### **Please support the PEAKS Act and the Rural Health Care Facilities Revitalization Act.**

## **Help Hospitals Stretch Resources, Improve Patient Care: Support the 340B Drug Pricing Program**

Congress created the 340B program to help covered entities stretch scarce resources, reach more patients, and provide more comprehensive services through the outpatient drug discount program. Despite having a 0.1% operating margin, California’s 175 340B hospitals provided more than \$7.1 billion in benefits to the communities they serve at no additional cost to taxpayers. Funding went to programs like medication therapy management, diabetes education and counseling, behavioral health services, opioid treatment services, and providing free or discounted drugs to those in need. Including the 340B discount, which only accounts for 3.1% of pharmaceutical company revenue, the top 10 manufacturers still had an average operating margin of more than 28%.

This program’s enormous benefits are now at risk due to pressure from pharmaceutical companies seeking to bolster their bottom lines. Congress must pass the 340B Pharmaceutical Access to Invest in Essential, Needed Treatments & Support (PATIENTS) Act to protect the program from harmful changes and ensure continued access to more affordable drug therapies and programs.

### **Please support the 340B Drug Pricing Program.**

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California hospitals need your support to continue our mission of lifesaving care. During the remaining weeks of the 118<sup>th</sup> Congress, please protect the communities we both serve.

Sincerely,



Carmela Coyle  
President & CEO  
California Hospital Association