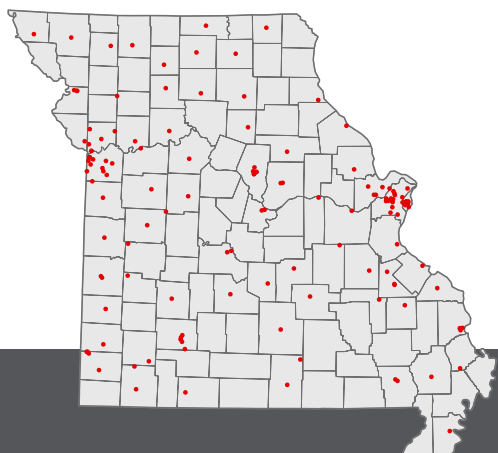


ALL HOSPITALS

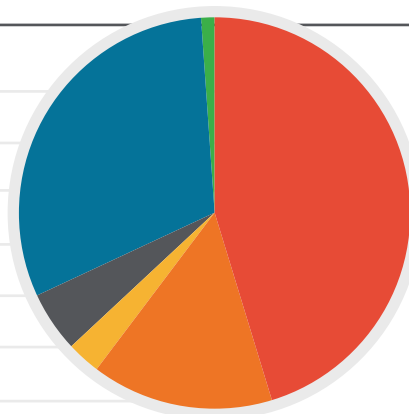


141 MHA MEMBER HOSPITALS

66	Medicare acute Inpatient Prospective Payment System hospitals
35	critical access hospitals
5	federal military or veterans hospitals
5	general or specialty pediatric hospitals
15	psychiatric hospitals
6	long-term, acute care hospitals
6	rehabilitation hospitals
30	for-profit organizations
109	tax-exempt organizations
69	private, not-for-profit organizations
31	state or local government acute care hospitals
5	psychiatric hospitals owned by the Department of Mental Health
3	free-standing children's hospitals

HOSPITAL PAYER MIX

- ▶ **45.3%** Medicare and Medicare Advantage
- ▶ **15.1%** Medicaid and Medicaid Managed Care
- ▶ **30.8%** Commercial and Managed Care
- ▶ **1.0%** Workers' Compensation
- ▶ **2.8%** Other Government
- ▶ **5.0%** Self-Pay



- ▶ **68.2%** PERCENT OF BUSINESS REIMBURSING LESS THAN COST

OPERATING MARGIN

Percent of hospitals operating at a loss/gain.

30.2% ▼

69.8% ▲

AVERAGE OPERATING MARGIN 2.7%

BUSINESS MIX

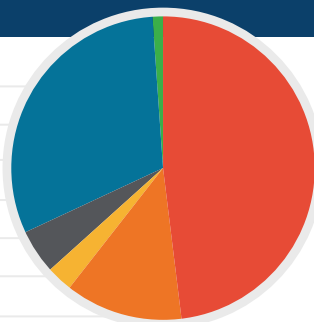
726,294 admissions
26,586,999 outpatient visits

▶ **36.6 : 1**

URBAN

HOSPITAL PAYER MIX

- ▶ **48.3%** Medicare and Medicare Advantage
- ▶ **12.5%** Medicaid and Medicaid Managed Care
- ▶ **30.7%** Commercial and Managed Care
- ▶ **1.0%** Workers' Compensation
- ▶ **2.7%** Other Government
- ▶ **4.8%** Self-Pay



- ▶ **68.3%** PERCENT OF BUSINESS REIMBURSING LESS THAN COST

OPERATING MARGIN

Percent of hospitals operating at a loss/gain.



AVERAGE OPERATING MARGIN 6.6%

BUSINESS MIX

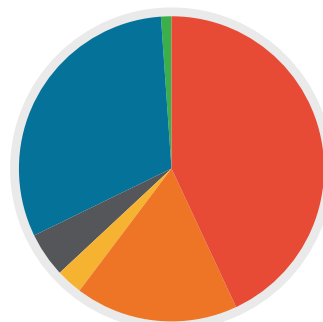
589,433 admissions
17,371,152 outpatient visits

29.5 : 1

340B

HOSPITAL PAYER MIX

- ▶ **43.1%** Medicare and Medicare Advantage
- ▶ **17.3%** Medicaid and Medicaid Managed Care
- ▶ **31.2%** Commercial and Managed Care
- ▶ **0.9%** Workers' Compensation
- ▶ **2.7%** Other Government
- ▶ **4.8%** Self-Pay



- ▶ **67.9%** PERCENT OF BUSINESS REIMBURSING LESS THAN COST

OPERATING MARGIN

Percent of hospitals operating at a loss/gain.



AVERAGE OPERATING MARGIN 2.1%

BUSINESS MIX

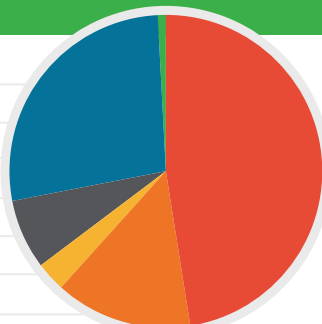
442,807 admissions
17,856,176 outpatient visits

40.3 : 1

RURAL

HOSPITAL PAYER MIX

- ▶ **47.5%** Medicare and Medicare Advantage
- ▶ **14.4%** Medicaid and Medicaid Managed Care
- ▶ **27.2%** Commercial and Managed Care
- ▶ **0.7%** Workers' Compensation
- ▶ **2.9%** Other Government
- ▶ **7.3%** Self-Pay



- ▶ **72.1%** PERCENT OF BUSINESS REIMBURSING LESS THAN COST

OPERATING MARGIN

Percent of hospitals operating at a loss/gain.



AVERAGE OPERATING MARGIN -1.6%

BUSINESS MIX

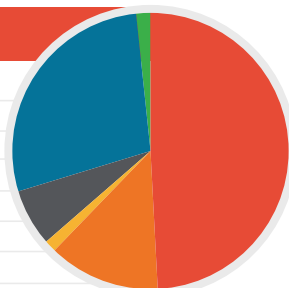
89,922 admissions
7,617,857 outpatient visits

84.7 : 1

CAH

HOSPITAL PAYER MIX

- ▶ **49.4%** Medicare and Medicare Advantage
- ▶ **12.9%** Medicaid and Medicaid Managed Care
- ▶ **28.1%** Commercial and Managed Care
- ▶ **1.5%** Workers' Compensation
- ▶ **1.4%** Other Government
- ▶ **6.7%** Self-Pay



- ▶ **70.4%** PERCENT OF BUSINESS REIMBURSING LESS THAN COST

OPERATING MARGIN

Percent of hospitals operating at a loss/gain.



AVERAGE OPERATING MARGIN 0.3%

BUSINESS MIX

18,373 admissions
2,050,186 outpatient visits

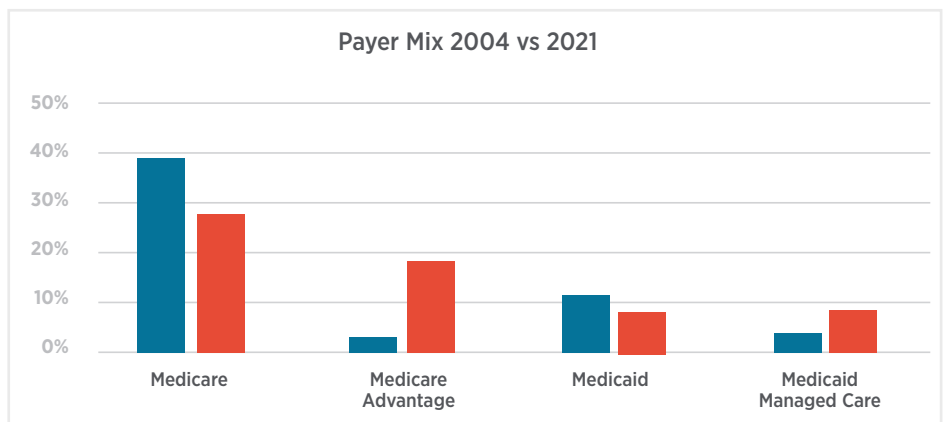
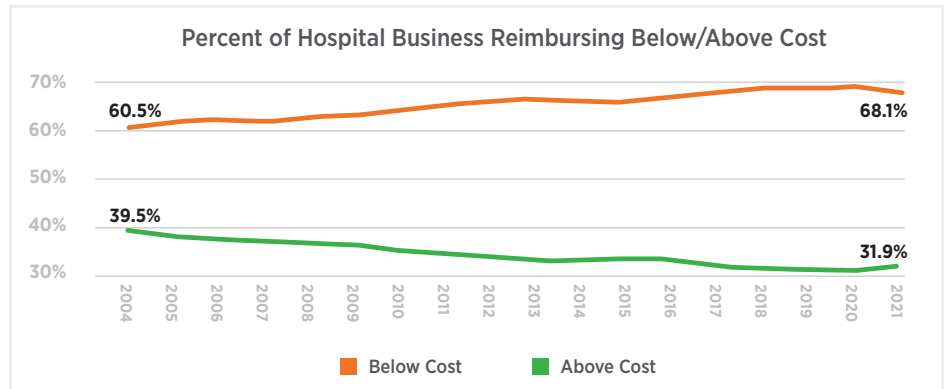
111.6 : 1



Shifting Payer Mix

Throughout the past 18 years, the percentage of business generated within Missouri hospitals has shifted from nongovernmental to governmental payment sources. This phenomenon will continue as the “silver tsunami” becomes Medicare enrollees. Governmental and self-pay business typically reimburse at less than cost that must be absorbed by nongovernmental business. Since 2004, the proportion of governmental and self-pay business has increased 12.6%, while the proportion of commercial and workers’ compensation business has decreased 19.2%.

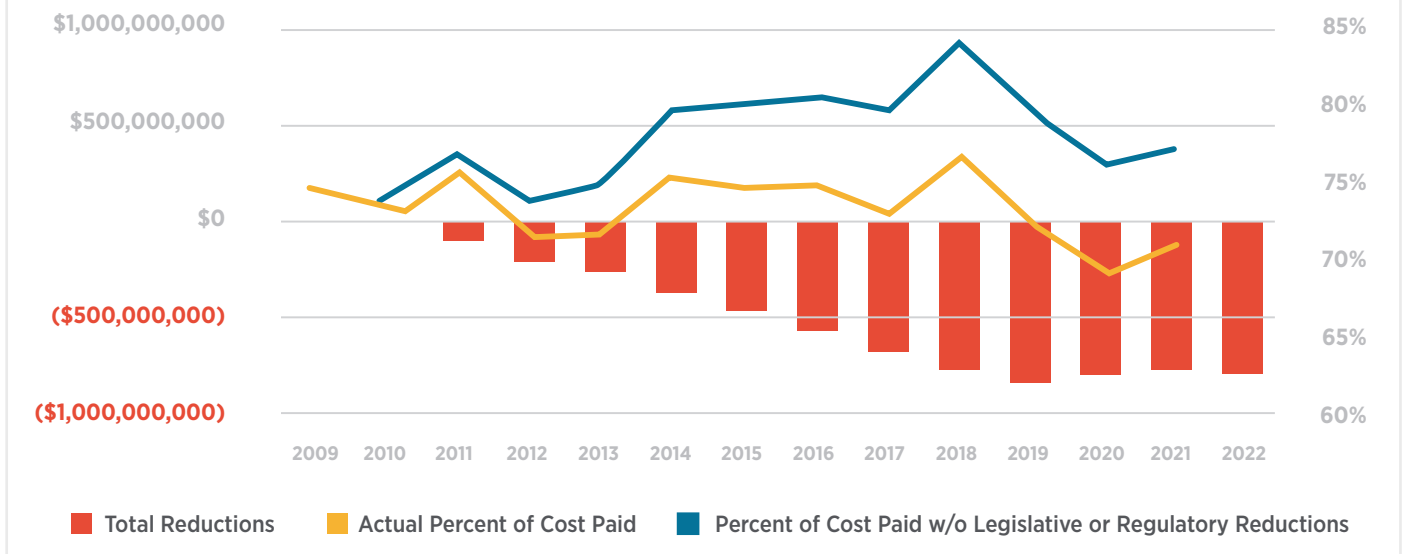
While the proportion of governmental business continues to increase, that business has shifted away from traditional coverage into Medicare Advantage and Medicaid managed care. This shift is causing significant problems for hospitals due to overly restrictive utilization management and prior authorization processes leading to coverage denials. These issues contribute to the amount of unreimbursed cost incurred from governmental payer sources.



Legislative and Regulatory Medicare Payment Reductions

Yearly Medicare payment rate increases are based on market basket updates established through regulation. Congress enacted laws that reduce the annual market basket update, and CMS further reduced Medicare payment rates through regulation. These actions are causing additional unreimbursed costs. Hospitals are required to absorb the Medicare reductions by contracting higher payment rates from a decreasing amount of commercial business. The legislative and regulatory Medicare payment reductions have exacerbated the shifting of cost absorbed by other payers.

Effect of Medicare Payment Reduction



Contrasting Percent of Cost Paid Between Medicare and Medicaid versus Commercial

Due to the shifting of payer mix and Medicare payment reductions, the need to shift cost has intensified. The financial voids created by Medicare, Medicare Advantage, Medicaid and Medicaid managed care are placing strains on commercial payment rates and premiums.

Cost-Shifting is Necessary to Sustain Hospital Margins

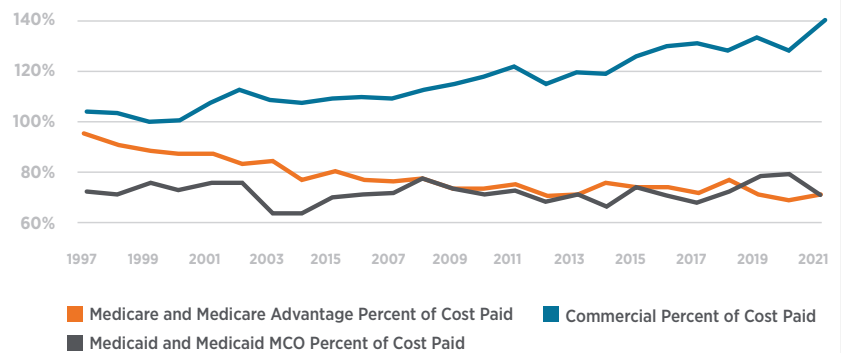
The unreimbursed cost incurred by serving governmental payer-sourced patients leads to cost-shifting onto insurers and enrollees. Due to the shifting of cost, the average annual premium for family coverage has increased 44% between 2013 to 2021.

Conclusion

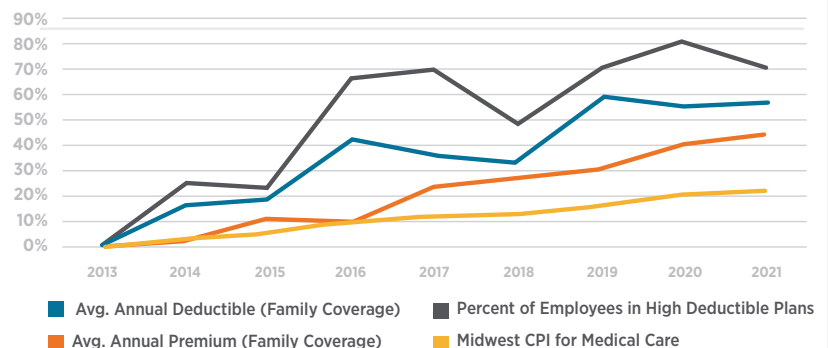
Due to the increasing number of patients covered by a governmental insurance product, as well as the significant amount of cuts to Medicare reimbursement and amount of unreimbursed cost for services provided to governmental beneficiaries, cost-shifting has become necessary for hospitals to break even or achieve a thin margin. This phenomenon is creating unintended consequences by placing more burden on nongovernmental enrollees.

The Missouri Hospital Association urges Congress to increase Medicare payment rates, hold governmental managed care companies accountable, and ensure that the CMS market basket updates are sufficient to prevent further cost-shifting and stabilize the hidden health care tax.

Missouri Hospital Percent of Cost Paid by Payer



2013-2021 Percent Change in Enrollee Costs for Employer-Sponsored Health Plans in Missouri Compared to Total Medical Costs in the Midwest and Severity-Adjusted Hospital Costs



MEDICARE MARKET BASKET UPDATES FOR 2024

The Centers for Medicare & Medicaid Services provides annual Medicare prospective payment rate increases to ensure hospitals are appropriately compensated for care provided to Medicare beneficiaries. Medicare fee-for-service beneficiaries account for the largest volume of patients served within most Missouri hospitals. When Medicare payment rates lag behind inflation, the increased amount of uncompensated care cost can become untenable. The result produces an unsustainable fiscal condition that causes additional cost-shifting onto commercial beneficiaries.

Issue

In recent years, the Medicare market basket has fallen far short of inflation, which has caused negative Medicare margins nationwide. In its 2023 Report to Congress, MedPAC noted that “in 2021, Medicare’s payments to hospitals continued to be below hospitals’ costs in aggregate.” Inpatient PPS “hospitals’ Medicare margin increased in 2021 to -6.2% **when including a share of federal relief funds** (-8.3% exclusive of these funds).” “We project that hospitals’ Medicare margins in 2023 will be lower than 2021, driven in part by growth in hospitals’ input costs, which exceeded the forecasts CMS used to set Medicare payment rate updates.” “The Commission anticipates that a fiscal year 2024 update to hospital payment rates of current law plus 1% generally would be adequate to maintain FFS beneficiaries’ access to hospital inpatient and outpatient care.”

CMS did not follow MedPAC’s advice and released proposed 2024 market basket rate increases that fall well short of inflation. CMS’ own data confirm the average hourly wage increase for federal fiscal year 2021 was more than 5%. CMS also included annual market basket index study results from FY 2019 through 2022 based on IHS Global Inc.’s forecasting model. For FY 2022, the increase was 5.3%. **Due to the rapid inflationary increase in 2022, prior years do not reflect the reality of today’s cost to treat patients.** Although wages and the IGI forecast illustrate significant increases, CMS’ proposed updates fall significantly short.

Fiscal Year	Proposed 2021-based Inpatient Psychiatric and Rehabilitation Market Basket Percent Change for FFY 2024	Proposed Acute IPPS Market Basket Percent Change for FFY 2024
Historical Data		
FY 2019	2.4%	
FY 2020	2.1%	
FY 2021	2.8%	
FY 2022	5.3%	
Average 2019-2022 (proposed increase)	3.2% (actual is 3.0% after productivity adjustment)	3.0% (actual is 2.8% after productivity adjustment)

Implications

Since the CMS market basket update has not kept up with recent inflationary pressures, Medicare PPS hospitals are more fiscally stressed than in the past. If CMS finalizes the market baskets as proposed, the stress will be even more prevalent. Already vulnerable hospitals will be at risk of closure.

Request for Action

The Missouri Hospital Association encourages members of Congress to support the Rural Hospital Support Act (S. 1110) introduced by Senator Robert Casey (D-Penn.) that would provide relief for Medicare-dependent, sole community and low-volume hospitals. MHA thanks Senator Josh Hawley for cosponsoring the legislation. While this would benefit a portion of the hospitals in Missouri if enacted, more needs to be done. MHA urges Congress to compel CMS to issue market basket increases that will keep pace with the recent increases in inflation.