WISCONSIN HOSPITAL ASSOCIATION
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Please Support Reauthorizing Essential MDH, LVA, and ACO Programs

- Without action by Congress, 16 hospitals will lose access to the Medicare-Dependent and Low-Volume Adjustment payments – a loss of over $19 million annually.
- Without action by Congress, 18 ACOs in Wisconsin will see a 5% Payment cut – losing a strong incentive to participate in value-based care models that save Medicare money.

WHA Ask:

Please support extending the expiring rural MDH & LVH programs and Value Based Care Incentives.

Please Cosponsor:

The Rural Hospital Support Act and ARCH Act(S.4009 & H.R.8747)

The Value in Health Care Act of 2021 (H.R.4587)

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Protect Rural & Value-Based Care Models

Congress Must Reauthorize Rural & Value-Based Programs Expiring in 2022

Congress needs to act to stop important provisions slated to expire in 2022 that have helped sustain mid-size rural hospitals and health systems that participate in value-based payment programs.

Background on the MDH and LVH Programs

Congress established the Medicare-Dependent Hospital (MDH) program in 1987, allowing hospitals with 100 or fewer beds that serve a high proportion of Medicare patients to receive a slightly enhanced reimbursement compared to the normal payment rate larger hospitals receive under the Centers for Medicare and Medicare Services (CMS) prospective payment system. These payments allow MDHs greater financial stability and leave them better able to serve their communities.

Similarly, Congress established the Low-Volume Hospital adjustment (LVH) in the Medicare Prescription Drug, Improvement and Modernization Act of 2003 in response to a report from the Medicare Payment Advisory Commission (MedPAC) that warned about a widening gap between rural and urban hospital profitability. Congress expanded the program in 2010 and reauthorized it again in the Bipartisan Budget Act of 2018. The LVH program gives rural hospitals with low volumes between a 0-25% payment boost on a sliding scale based on their low volumes.

Unfortunately, both programs are set to expire December 16, 2022 and must be reauthorized by Congress to avoid serious cuts for Wisconsin hospitals.

WI Impact of Losing MDH & LVH Designations

Congressional District	# Hospitals Impacted	Est. Annual Impact
Bryan Steil	1	$568,000
Mark Pocan	4	$7,578,000
Ron Kind	2	$1,988,400
Scott Fitzgerald	3	$3,266,400
Glenn Grothman	4	$4,005,200
Tom Tiffany	2	$1,948,100
Statewide	**16**	**$19.35 million**

Source: AHA Analysis of 2023 IPPS Rule

The MDH & LVH Programs Help Hospitals Offset Losses from Medicare and Medicaid

Most rural hospitals in Wisconsin operate with fewer than 25 inpatient beds as critical access hospitals (CAHs) and are eligible to receive close to break-even rates from Medicare. However, rural hospitals above that threshold or that were otherwise ineligible for the CAH program would receive the normal PPS rate that larger hospitals receive which amounts to about 73% of the cost to provide care in Wisconsin. This would make it extremely difficult for them to operate since they do not have the same volumes of privately insured patients to offset losses from Medicare and Medicaid.

Medicare Underpayments are a Growing Problem for Wisconsin Hospitals

Because Wisconsin is an aging state, it is seeing a large shift in people moving off private insurance and onto Medicare. In fact, as of 2018, Wisconsin was tied for 16th among states with the highest percent of their population covered by Medicare, at 20%. Due to this, **annual Medicare underpayments to Wisconsin hospitals have grown from $1.77 billion in 2016 to $2.53 billion in 2021, a more than 40% increase over 5 years.** This problem can be particularly challenging for rural areas which tend to have a higher percent of their population at a Medicare eligible age.

Medicare Value-Based Payment Models Aim to Reward Hospitals for High-Value, Low-Cost Care

Like the way it has created payment models to sustain access to rural care, Congress has also tried to encourage a move toward more value-based payment models. This is also an initiative championed by WHA and its members. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) was a bipartisan effort to shift Medicare physician payments from a FFS system to one based on value and quality.

Since 2012, value-based Accountable Care Organizations (ACOs) have saved Medicare $13.3 billion.

Wisconsin Based ACOs	***Other ACOs with Beneficiaries in Wisconsin***
Aurora Accountable Care Organization LLC	AdvantagePoint Health Alliance - Great Lakes
Bellin Health Partners, Inc.	Bluestone ACO
Froedtert & The Medical College of Wisconsin ACO	Caravan Collaborative Pathways
Gundersen ACO	Essentia Health
Mercy Health Corporation	HSHS ACO, L.L.C.
ProHealth Solutions	Mayo Clinic Community ACO
SSM WI ACO LLC	MercyOne ACO III
THEDACARE ACO	USMM ACCOUNTABLE CARE PARTNERS
Accountable Care Coalition of Southeast WI	Vytalize Health ACO

MACRA's 5% ACO Payment Incentives are Slated to Expire at a Time when Hospitals Can Ill Afford It

Unfortunately, MACRA's 5% payment incentive that encourages providers to participate in value-based payment models is scheduled to expire at the end of 2022. The loss of this incentive could threaten the sustainability of existing ACOs. Fee-for-service Medicare does not reward Wisconsin for being a low-spending Medicare state – Wisconsin ranked 16th lowest in per-beneficiary Medicare spending in 2019, yet Wisconsin hospitals receive lower payment rates from Medicare than the national average - around 73% of what it costs to provide Medicare services in Wisconsin compared to a national average of 84% of cost. This makes alternative payment models one of the few ways to reward Wisconsin health care providers for delivering high-value and high-quality health care.

Please Support Legislation Reauthorizing Expiring MDH & LVH and Value-Based Payment Incentives!

With the combination of historic inflation, an unprecedented workforce shortage, and sustained underpayments by federal government health care programs, hospitals are facing significant fiscal pressures going forward.

- A 2022 report by the American Hospital Association shows that supply expenses for hospitals were 15.9% higher by the end of 2021 compared to the end of 2019 and 20.6% higher per patient.
- At the same time, labor expenses per patient increased 19.1% through 2021 compared to 2019 levels.
- The average length of a patient stay increased 9.9% by the end of 2021 compared to pre-pandemic levels in 2019, leading hospitals to have to devote more staff time and expenses per patient episode.

These challenges make support of continuing special rural MDH and LVH designations and ACO incentives vital!

***Please support the Rural Hospital Support Act (S. 4009) authored by Senators Casey (D-PA) and Grassley (R-IA), and the* Assistance for Rural Community Hospitals (ARCH) Act (H.R.8747), bipartisan legislation that has been introduced by Reps. Carol Miller, R-WV, and Terri Sewell, D-AL.** *This legislation would extend the vital Medicare-Dependent and Low-Volume Hospital Adjustment programs that have been a lifeline to mid-size rural hospitals.*

Please also support The Value in Health Care Act of 2021 (H.R. 4587) authored by Reps. Peter Welch (D-VT) and Darin LaHood (R-IL). *This legislation would prevent the scheduled 5% cut for ACOs, continuing these value-based incentive payments and make other improvements to encourage broader participation in valued-based payment models.*