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5510 Research Park Drive
Fitchburg, WI 53711
608.274.1820 | FAX 608.274.8554
www.wha.org

September 23, 2026

The Honorable Glenn Grothman
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Grothman,

Thank you for your continued support of Wisconsin's hospitals. We are immensely grateful for the strong bipartisan support we received from you and your colleagues in Wisconsin's Congressional Delegation, as well as Governor Evers and state lawmakers, to ensure Wisconsin was not disadvantaged in the amount of federal Medicaid funding it receives compared to other states.

Thanks to this bipartisan work, the state budget authorized and the Centers for Medicare and Medicaid Services grandfathered Wisconsin's hospital assessment at a rate of approximately 6%, in line with many other states. **This will allow Wisconsin to receive an estimated \$740 million in higher annual Medicaid reimbursements through 2027.** To put this in perspective, in 2024, it cost Wisconsin hospitals \$1.3 billion more to care for Medicaid patients than they were reimbursed for that care. Thanks to these additional federal Medicaid reimbursements, Wisconsin hospitals' losses from Medicaid are projected to be roughly cut in half.

Unfortunately, while this additional funding is helping stem the tide in our Medicaid losses, our Medicare losses continue to mount. **Annual Medicare underpayments to Wisconsin hospitals have grown from \$1.77 billion in 2016 to \$3.6 billion in 2024, more than doubling in 8 years.** Demographic shifts are largely to blame for this; from 2016 to 2024, the average payor mix for a Wisconsin hospital has seen Medicare grow from 43% to 49%, while commercially insured patients have shrunk from 37% of the payor mix to only 32% concurrently, according to claims data analyzed by WHA's Information Center. In fact, as of 2024, Wisconsin [was tied for 8th among states with the highest percentage of their population covered by Medicare](#), at 22%.

To put it in the simplest terms, every day more Wisconsinites are aging out of commercial insurance and onto Medicare, which reimburses hospitals only about 74% of what it costs to provide care, on average.

It is with this context that I write you today over concerns about a proposal by CMS in its proposed directed payments rule. In addition to allowing Wisconsin's hospital assessment to be grandfathered at 6%, HR 1, which became [Public Law 119-21](#), required states' directed Medicaid payments to effectively begin winding down 10% annually starting in 2028, until they reach 110% of Medicare rates for non-expansion states like Wisconsin (and 100% of Medicare rates for expansion states). WHA continues to support either repealing or delaying this wind-down due to the reasons laid out earlier in this letter.

However, today, I write you with a more immediate concern. ***WHA is concerned that CMS's proposed implementation of Public Law 119-21 threatens to wind down these Medicaid payments faster than Congress intended.***

Public Law (PL) 119-21 states: “beginning with the rating period on or after January 1, 2028, the total amount of such payment shall be reduced by 10 percentage points each year. . . .” Yet, rather than decrease the payment by 10% each year, CMS’s proposed rule, entitled *Medicaid Program; Medicaid Managed Care State Directed Payments and Medicaid Fee-for-Service Targeted Medicaid Practitioner Payments*, proposes to take 10% of the baseline payment amount from 2028, and apply *that same reduction* every year.

Using WHA’s analysis of Wisconsin’s numbers, we estimate that Wisconsin would reach CMS’s calculation of 110% of Medicare rates in 8 years under CMS’s preferred approach instead of the 11 years it would take under an alternative interpretation CMS also considered. **We estimate the total loss to Wisconsin hospitals over those three years at \$897 million in lower federal Medicaid reimbursements.**

In [WHA’s comment letter to CMS](#), we urged CMS to give states maximum flexibility to choose a manner that complies with PL 119-21 wind-down provisions, rather than relying on CMS’s preferred method:

“WHA is concerned that the approach CMS proposes for implementing the ten-percentage point phase down starting in 2028 will result in more rapid and severe reductions than Congress intended. To help lessen any unintended negative financial consequences of implementing (the payment reduction), WHA urges CMS to offer states maximum flexibility to choose a phase-down approach that could make reducing (state directed payment) programs to Medicare based levels less disruptive to hospitals and other providers.”

CMS’s proposed preferred method of winding down payments goes beyond what Congress intended. ***We are asking you to please contact CMS as well as your colleagues at the House Committee on Energy & Commerce to voice your concerns over this proposal by CMS. Please urge them in their final rule to provide states flexibility to choose a phase-down approach that works best for a particular state, while still meeting the requirements of PL 119-21.*** Hospitals are already facing enough uncertainty due to inflation and rising costs; we need your help to ensure CMS does not make it even harder for hospitals to maintain the care their communities depend on.

Sincerely,



Kyle O'Brien
President & CEO