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WHA Expresses Continued Concerns over Low Payment Updates in 2026 Proposed Medicare Inpatient Rule

On June 10, WHA expressed its concerns with the continued trend of the Centers for Medicare & Medicaid Services (CMS) updating its Medicare inflationary adjustment at levels that do not account for the true level of cost increases hospitals are facing.

Despite overall inflation growing by 14.1% from 2022 through 2024, Medicare reimbursement for hospital inpatient care has increased by only 5.1% during the same time—almost one-third less than true inflation. Add this to the impact that trends in Medicare Advantage (MA), such as longer observation stays and significantly more prior authorization requests, are having on the Medicare population Wisconsin serves, and it is clear why hospitals are facing increasing financial pressures. CMS proposes to continue this trend with an overall payment update of 2.4% in its proposed Inpatient Prospective Payment System (IPPS) rule.

As an aging state, Wisconsin has seen considerable changes in its payor mix, with Wisconsin currently the 11th oldest state in the country in terms of the percentage of its population on Medicare. From 2016 to 2023, the average payor mix for a Wisconsin hospital has seen Medicare grow from 45% to 55%, while commercially insured patients have shrunk from 37% of the payor mix to only 28% concurrently, according to claims data analyzed by WHA's Information Center. It's no wonder that nearly one-third of Wisconsin hospitals operated with a negative margin in WHA's most recent fiscal survey of 2023.

WHA expressed its support for the Trump Administration's request for proposals to decrease unnecessary regulations on hospitals. It advocated for permanently removing geographic and site restrictions in telehealth and permanently authorizing the Hospital at Home program. Both initiatives allow for more efficient use of hospital space and the health care workforce. WHA also urged CMS to crack down on unnecessary prior authorizations in Medicare Advantage and to bring back flexibility for the SNF three-day stay policy and CAH 96-hour rule, two regulations that were waived during the COVID-19 public health emergency.

WHA also commented on the significant changes proposed across multiple CMS quality reporting and value-based payment programs. Understanding these proposals is critical for hospitals to maintain compliance, optimize reimbursement and prepare for future shifts in quality measurement and data reporting expectations:

- The Hospital Inpatient Quality Reporting (IQR) Program remains a pay-for-reporting initiative with penalties for noncompliance. CMS proposes adding MA data to complication and mortality measures, shortening performance periods and lowering submission thresholds for hybrid measures. WHA supports including MA data for a more complete picture, but warns that demographic and clinical differences, plus prior authorization issues, may skew results. WHA also supports removing four structural measures that lacked consensus endorsement and urges CMS to retain the current 90-day Extraordinary Circumstances Exception (ECE) request window instead of shortening it to 30 days.

- In the Medicare Promoting Interoperability Program, CMS proposes maintaining a minimum 180-day EHR reporting period, which WHA supports for its flexibility. WHA raises concerns about requiring "yes" attestations for both Security Risk Analysis and SAFER Guides, citing difficulty for small hospitals with limited IT staff. While the goals of better cybersecurity and system reliability are shared, WHA recommends optional implementation, technical support and adequate lead time. WHA supports the optional TEFCA bonus measure and urges CMS to maintain it as voluntary due to varied readiness across hospitals.

- The Hospital Readmissions Reduction Program (HRRP) will add MA data, shorten the performance period and remove COVID-19-related exclusions starting in FY 2027. WHA supports removal of COVID-related adjustments but opposes including MA data in payment calculations at this time and recommends a preliminary data collection phase to allow hospitals to understand and adjust to MA patient trends. WHA is concerned that immediate use of this data could penalize hospitals due to insurer-related coverage issues.

- In the Hospital-Acquired Condition (HAC) Reduction Program, CMS proposes updating benchmarks using the CDC's 2022 infection baseline. WHA supports the updated statistical methods, which reflect modern clinical practices and infection control, however, we note challenges hospitals have faced with data uploads and reporting changes in the NHSN system. WHA urges CMS to allow

hospitals time to understand and adapt to the new baseline without penalty.

- The Hospital Value-Based Purchasing (VBP) Program will remove the Health Equity Adjustment in FY 2026 and implement technical updates to complication and mortality measures. WHA supports the updates and encourages clear, consistent approaches to recognize hospitals serving high-need populations in future policy. Updates to coding methods and COVID-related adjustments are also supported. WHA appreciates CMS's attention to aligning quality metrics with evolving care standards.

- For the Transforming Episode Accountability Model (TEAM), CMS proposes using patient-reported outcomes for quality, refining pricing methodology and expanding SNF waiver eligibility. WHA supports efforts to improve care coordination but is concerned about the model's mandatory nature. Hospitals may lack the infrastructure to manage financial risk across episodes. WHA recommends CMS provide flexibility and resources to ensure equitable participation and success.

You can read WHA's full comment letter here.

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Jan. 28, 2026
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