



ADVOCATE. ADVANCE. LEAD.

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June 4, 2025

The Honorable Ron Johnson
United States Senate
Washington, DC 20515

Dear Senator Johnson:

On behalf of hospitals across Wisconsin, we remain extremely concerned over the undue burden placed on Wisconsin in the “One Big Beautiful Bill Act” that has passed the House of Representatives. With your role on the Senate Finance Committee, we ask that you work to ensure whatever comes to the Senate floor does not unduly burden Wisconsin hospitals, taxpayers, or patients.

As WHA has previously communicated to you and other members of our WI Congressional Delegation, [the House legislation would disproportionately disadvantage Wisconsin in comparison to other states.](#)

We know you are well aware that Wisconsin already loses out on Medicaid expansion dollars despite having no Medicaid coverage gap. We have been punished by inflexible federal guidelines that have not recognized the unique approach Wisconsin took to cover everyone up to 100% of the federal poverty level, while transitioning those above that level to heavily subsidized commercial insurance on the ACA exchange. As a result of this and other federal Medicaid policies, we have the 13th lowest per-beneficiary federal Medicaid funding in the country, and some of the lowest Medicaid reimbursement rates – about 62% of what it costs Wisconsin hospitals to care for Medicaid patients on average.

Under the House-passed legislation, Wisconsin will become even more of a donor state when it comes to federal Medicaid reimbursement:

- Wisconsin’s hospital assessment would be frozen at its current level of 1.7% of net patient revenue while states that have a hospital assessment of 6% of net patient revenue will get to keep their higher assessments, allowing them to draw down significantly more federal funding.
- Wisconsin Medicaid reimbursements will be frozen at no more than the Medicare rate – which is currently 74% of what it costs hospitals to care for Medicare patients. Meanwhile, other states will be allowed to receive Medicaid reimbursements up to the average commercial rate.

Wisconsin has not changed its hospital assessment since it originated in 2008. All hospitals pay into it and receive a reimbursement boost in the form of directed provider payments (DPPs). Hospitals do not receive an access payment unless they see a Medicaid patient. Wisconsin’s hospital assessment is extremely transparent and contains none of the hold-harmless provisions seen in other states that have led to scrutiny. Wisconsin plays by the rules, but the House budget reconciliation proposal

punishes us for doing so. The hospital assessment and resulting access payments are critical to Wisconsin's safety-net hospitals and help level the playing field for Wisconsin hospitals that incur substantial losses due to their high volumes of Medicaid patients – a dynamic that is seen in hospitals serving both urban and rural areas.

The Wisconsin legislature and Governor Evers are currently evaluating legislative proposals to increase Wisconsin's hospital assessment up to the current limit of 6% of net patient revenue (the first update in nearly 20 years), in line with what other states have done. In a political environment where it seems increasingly rare for Republicans and Democrats to find common ground, we are encouraged to know that Republicans included the hospital assessment increase Governor Evers introduced in his budget in their own budget proposal. It's clear both sides of the aisle agree that utilizing the hospital assessment is both appropriate and necessary; they understand Wisconsin should not be left behind compared to other states that have already used this tool to increase their own states' Medicaid reimbursements.

However, there may be other disagreements in the state budget process that prevent Wisconsin's budget from becoming law by July 1, the typical deadline for a new state budget. ***If this federal legislation becomes law before then, and freeze deadlines for hospital assessments and directed payments are not removed or extended, at least for the few remaining non-expansion states, Wisconsin will be unfairly punished by losing billions in future federal Medicaid contributions.*** Meanwhile, dozens of other states, including our midwestern neighbors, will keep their superior federal funding (see side one of attachment).

We recognize that you have made public comments expressing concern about states using hospital assessments. While we understand the concern about states having "skin in the game," Wisconsin, with its expansion match rate of 40% state and 60% federal (compared to 40 expansion states with a match rate of 10% state and 90% federal) is putting far more "skin in the game" than nearly every other state in the country. We are simply asking to be treated fairly.

Many Wisconsin hospitals will not be able to sustain the continued pressures that result from losing money on more than 2/3 of the patients they see. As you can see in the attached one-pager that WHA has shared with you previously, including during its last visit to your office in May, Wisconsin is the 11th oldest state in the country in terms of the percentage of its population on Medicare. We are getting older as a state, and that has significant implications for hospitals' payor mix.

Every day, more Wisconsinites leave commercial insurance and age onto Medicare. In fact, from 2016 to 2024, the average payor mix for a Wisconsin hospital has seen the percentage of commercial services shrink from 37% to only 28%. There has been corresponding growth in Medicare services from 45% to 55%. On side 2 of the attachment, you can see the visual growth of Medicare underpayments to Wisconsin hospitals from only \$1.8 billion in Medicare losses in 2016 to \$3.3 billion in 2023.

The result of continued Medicare and Medicaid underpayments are significant. We are asking a shrinking number of commercially insured Wisconsin residents to offset the losses their hospitals take on Medicaid and Medicare patients. In fact, nearly one-third of Wisconsin hospitals operated in the red in 2023, a situation that garnered both [state](#) and [national attention](#). Additionally, despite the rest of Wisconsin hospitals operating in the black, around half operated with a lower margin in 2023 than in 2022.

While those numbers represent the data, they are more clearly illustrated by the first hospital closures in nearly 20 years - in Eau Claire and Chippewa Falls in 2024 (and the dozens of local money-losing services they supported) and the elimination of labor and delivery programs in 16 hospitals across the state over the past decade. The continued losses hospitals experience from Medicare and Medicaid have contributed significantly to these closures, and more will be coming if we cannot stem these losses.

We understand and appreciate your work to highlight the challenges our country faces from continued deficits and mounting debt and your desire to get our federal budget on a sustainable path. We think you will agree that the federal budget should not be balanced by requiring states like Wisconsin to be locked into permanent unequal treatment where our taxpayers, hospitals, and employers are expected to shoulder a disproportionately larger share of spending cuts and cost shifts.

In the Graham-Cassidy-Heller-Johnson amendment you coauthored during the 2017 Repeal and Replace debate, you worked diligently to propose legislation that treated states fairly, especially non-expansion states. However, the proposal in the House-passed “One Big Beautiful Bill Act” to freeze states’ hospital assessments is the antithesis of that legislation – as it permanently creates winners and losers based on states hospital assessments at the time of passage.

Furthermore, an amendment that was added to the bill late in the process would punish states that decide to pursue Medicaid expansion after its passage by freezing their directed payments at 100% of Medicare rates. Meanwhile, Medicaid expansion states that have enjoyed enhanced federal funding for more than a decade will continue to reap their enhanced reimbursement.

We do not understand why Wisconsin is about to be further punished by a Republican majority in Congress for making decisions about its Medicaid program that Republicans have held up as ideal. We are simply requesting fairness and time in 2025 to update our DPP program which has not been touched in 17 years.

But don’t just take our word for it. The conservative news site Breitbart.com agrees. [In an article published on June 3](#), it included analysis from a neurosurgeon recently affiliated with the libertarian, free market think tank, the Mercatus Center, who concluded:

“many irresponsibly spending states such as California and New York have already jacked up provider taxes to the six-percent limit allowed by federal law, while the freeze would prevent responsible states from potentially raising their lower provider taxes to meet future Medicaid spending needs....”

“The proposal would instead serve to punish the states that have thoughtfully and conservatively limited use of the provider tax tool in an effort to run efficient programs and keep taxes low. “

The article goes on to quote the Governor of Speaker Mike Johnson’s home state, Louisiana, Jeff Landry, who in a letter to President Trump in February, defended provider taxes as a way to avoid tax increases.

“I care about this provider tax issue because my goal is to keep taxes on the citizens of Louisiana as low as possible. In my view, the provider taxes are a good thing. By partially

funding the state Medicaid program with an assessment on hospitals, we can avoid tax increases on our citizens. That's a conservative cornerstone, I am proud to defend it,"

Please use your role on the Senate Finance Committee to restore fairness to how federal Medicaid policy treats states like Wisconsin. We are eager and willing to work with you and your staff to make sure the legislation that passes the Senate does not unfairly punish Wisconsin.

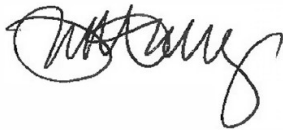
Sincerely,



Jeffrey Bahr, MD
Chief Physician Executive – Wisconsin and
Illinois Divisions
Advocate Health
Chair, WHA Board of Directors



Eric Borgerding
President/CEO
Wisconsin Hospital Association



David Hartberg
Chief Executive Officer
Vernon Memorial Healthcare
Immediate Past Chair,
WHA Board of Directors



Brian Stephens
Chief Executive Officer
Door County Medical Center
Chair-Elect,
WHA Board of Directors

CC: WI Congressional Delegation
WHA Board of Directors

Protect WI Hospitals from Harmful Medicaid Cuts!

Wisconsin is already not receiving its fair share of federal funding in its Medicaid Program.

This has resulted in some of the lowest Medicaid rates in the country for WI health care providers.

Wisconsin Hospitals receive, on average, about 62% of what it costs them to provide care for Medicaid patients, compared to a national average of around 88% of cost.

Fed. \$\$\$ Per-Medicaid Enrollee



Supplemental Payments



% State Popl. on Medicaid



Wisconsin	National Average
\$5,777	\$6,772
\$195.3 Million	\$937.1 Million
18%	21%

*Source - Natl. Assc. of State Budget Offices

*Source - MacPAC December 2024 report

*Source - KFF.org

12th lowest

17th lowest

36 States are Higher

Wisconsin is the only state in the country that does not receive enhanced federal Medicaid matching funding for Medicaid Expansion even though it has no Medicaid coverage gap

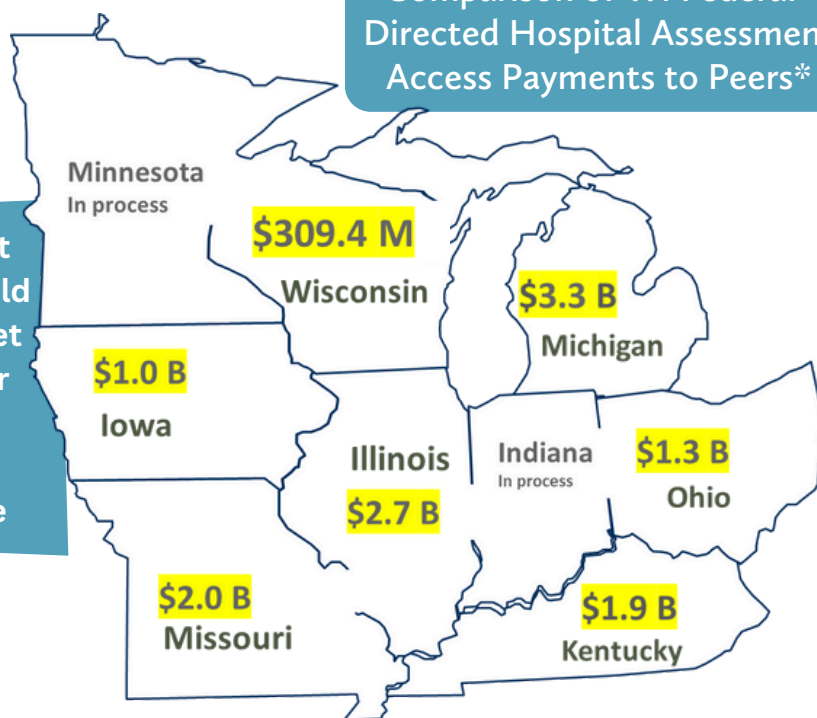
Wisconsin has a very transparent and fairly conservative hospital assessment of under 2%. All hospitals pay into it and receive federal access payments based on their share of Medicaid patients cared for.

Wisconsin has seen its Medicaid rates stagnate while surrounding states have either increased their payments substantially, or are in the process of doing so.

Congress must ensure it does not provide unfair advantages to some states over others as it reviews proposals to cap hospital assessments.

Please reject cuts that would unfairly target Wisconsin or Threaten Access to Patient Care

Comparison of WI Federal Directed Hospital Assessment Access Payments to Peers*

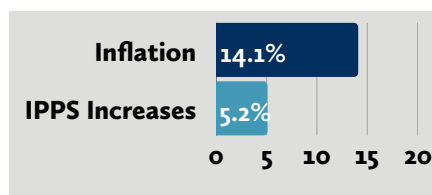
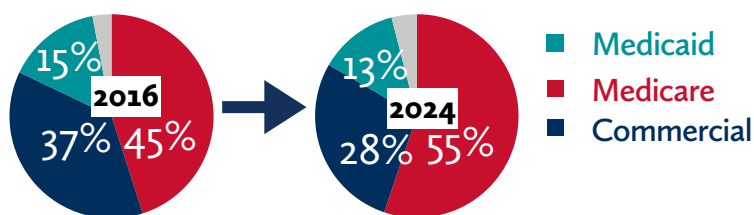


*Refers to federal share of directed hospital payments funded by hospital assessment and approved by CMS.

How Medicare Underpayments Impact Hospitals

Aging demographics and stagnant Medicare rates are eroding hospital payments as Wisconsinites age and move off commercial insurance onto Medicare.

From 2016-2023 the Average Payor Mix for a Wisconsin hospital has seen **Medicare grow from 45% to 55%** while **commercial has shrunk from 37% to 28%**.



Inflation growth was more than double the growth in IPPS reimbursement, 2022-2024.



Wisconsin's rank for the percentage of its population on Medicare

Annual Medicare Underpayments to Wisconsin Hospitals Have Increased Significantly Since 2016

