



September 30, 2025

Dear members of the Pennsylvania congressional delegation:

On behalf of the approximately 235 member hospitals of The Hospital and Healthsystem Association of Pennsylvania (HAP), I urge you to include in any end-of-year legislative package policies critical to hospitals, communities, and patients.

Due to previous federal action, Pennsylvania hospitals will absorb a direct payment cut of about \$4.5 billion over the next decade, as average Medicaid reimbursement drops from 71 cents per dollar it costs to deliver care to 64 cents. As we have communicated, many hospitals will not be able to sustain the care and services communities depend on.

Now, more than ever, extending programs in year-end bills is critical. For example, an additional \$290 million reduction through a 4 percent PAYGO cut and failure to restore \$500 million in Medicaid Disproportionate Share Hospital (DSH) payments will further destabilize Pennsylvania's hospital community. Fewer than half of Pennsylvania's acute care hospitals are operating with margins necessary for long-term stability.

In the coming weeks you will have the opportunity to ensure hospitals are not forced to shoulder further cuts for the care they provide to low-income individuals, require that insurance companies quickly approve care patients desperately need, safeguard rural hospitals, and extend critical programs that make care more accessible. I urge you to:

- Restore Medicaid DSH payments
- Prevent the 4 percent PAYGO cuts to hospitals
- Extend the Medicare-Dependent Hospital program and the enhanced Low-Volume Hospital adjustment
- Extend telehealth policies and the hospital-at-home program
- Extend Affordable Care Act enhanced premium tax credits
- Streamline the prior authorization process in Medicare Advantage
- Reject site-neutral payment policies

Your hospitals cannot sustain additional setbacks and request your support to continue to serve your communities. If you have any questions, please contact me at (717) 561-5314; or John Myers, HAP's vice president, federal advocacy, at (202) 421-6740.

Sincerely,

Nicole Stallings  
President & Chief Executive Officer



## **Pennsylvania Hospital Priorities for Year-End Legislative Package**

### **Restore Disproportionate Share Hospital (DSH) Payments**

Pennsylvania's most vulnerable populations, including children, those over the age of 65, low-income communities, and those living with disabilities, rely on programs made possible by Medicaid's DSH program. More than 150 hospitals in Pennsylvania participate in the DSH program, which provides a financial lifeline for services such as trauma and burn care, maternal and child health, high-risk neonatal care, and more. Without congressional action, payments to Pennsylvania hospitals will be cut by more than \$500 million in 2026. Congress has repeatedly delayed Medicaid DSH cuts with strong bipartisan support. To preserve access to vital services, Congress must act again.

### **Prevent the 4 percent PAYGO Cuts to Hospitals**

Without congressional action, hospitals face a 4 percent cut to Medicare payments during 2026, risking further destabilization to our already strained health care system. PAYGO cuts are scheduled to take effect in 2026. The impact to Pennsylvania hospitals in 2026 will be a \$290 million cut.

### **Extend the Medicare-Dependent Hospital Program and the Enhanced Low-Volume Hospital Adjustment**

These critical programs support rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges, or those with low patient volume.

### **Extend Telehealth Policies**

To ensure access to telehealth services, Congress must extend important flexibilities, including removing geographic restrictions, allowing use of audio-only services, and expanding the types of practitioners eligible to be reimbursed for telehealth services.

### **Extend the Hospital-at-Home Program**

The hospital-at-home program, which allows qualified patients to receive acute care in their homes, has been found in early studies to increase quality, reduce costs, and result in high patient satisfaction. To ensure access for Pennsylvanians, Congress must act to extend this innovative program.

### **Extend Affordable Care Act Enhanced Premium Tax Credits**

Nearly 4 million Americans have health coverage because insurance premium tax credits enable them to purchase affordable coverage. Adequate coverage leads to better health status, stable employment, and financial stability for health care providers. For the 150,000 Pennsylvanians at risk of losing their health insurance, an extension of the tax credit is critical.



### **Streamline the Prior Authorization Process in Medicare Advantage (MA)**

Enact the Improving Seniors' Timely Access to Care Act (S. 1816/H.R. 3514) to establish an electronic process and reduce how long a health plan may consider a prior authorization request under MA. The legislation would also create a “real-time decisions” process for routinely approved services and require MA plans to report on their prior authorization use and rate of approvals and denials.

### **Reject Site-Neutral Payment Policies**

Legislation to reduce payments to hospitals for certain procedures provided in hospital outpatient departments (HOPD), making them equivalent to payments for services provided in physician offices, would be extremely harmful. Proponents of these “site-neutral” proposals suggest that the care provided is the same, regardless of setting, and therefore the price should be the same. This argument ignores that patients who receive care in HOPDs typically have more complex needs and benefit from the additional clinical services provided in those settings. Hospitals have higher costs due to more comprehensive licensing, accreditation, and regulatory requirements than independent physician offices or ambulatory surgery centers. These additional costs support a higher level of patient care. Cutting reimbursement for certain services would make it difficult for hospitals to continue to provide this care and, because some services may not be offered elsewhere in the community, patients would have greater difficulty accessing medically necessary health care.