

June 1, 2022

Dear Members of the Pennsylvania Congressional Delegation:

During the past two years, hospitals in Pennsylvania have been on the front lines of caring for patients and protecting communities. The relief that Congress provided through the Provider Relief Fund and in halting payment cuts was crucial in that effort. As hospitals grapple with continued historic revenue losses and increased expenses, which combined are jeopardizing patient care, the looming resumption of the 2 percent sequestration cut and prospect of Statutory Pay-As-You-Go Act of 2010's (PAYGO) 4 percent reduction in Medicare payments risk further destabilization to our already strained system. It is imperative that these reductions be prevented from taking effect.

From 2019–2021, hospitals and health systems faced unprecedented financial challenges. A recent national study shows, during that time, per patient hospital labor expenses grew by 19.1 percent. Medical supply expenses grew 20.6 percent compared to pre-pandemic levels. Drug expenses increased by more than one-third (36.9%). We validate that Pennsylvania hospitals experience is consistent with these national trends. These massive increases in expenditures have continued in 2022.

Starting April 1, 2022, sequestration relief lapsed resulting in a 1 percent cut. The full 2 percent cut will resume on July 1, 2022, if Congress does not act. Annually, the 2 percent Medicare fee-for-service payment cut amounts to \$176 million for Pennsylvania hospitals and \$4.7 billion nationwide. Hospitals operate on tight margins where cost shifting is not an option. This kind of drastic decline in funding puts Pennsylvania hospitals at risk.

During 2023, the Statutory PAYGO requiring that mandatory spending and revenue legislation not increase the federal budget deficit is scheduled to go into effect. Under this policy, the Office of Management and Budget is required to implement across-the-board reductions in mandatory federal spending, including a 4 percent cut to Medicare. Failure to waive PAYGO will result in an estimated loss of more than \$350 million for Pennsylvania hospitals in fee-for-service payments during 2023. This would be a catastrophic outcome for Pennsylvania hospitals already struggling to stay financially afloat.

Our clinicians and support staff have been on the front lines of the COVID response for two years and the arrival of the Omicron variant saw new strains across the health care system, as well as a significant impact on staffing. Now is not the time for hospitals to face additional payment cuts. Over the course of the pandemic, sequestration relief has earned bipartisan support and Congress has appreciated the necessity of waiving the PAYGO reductions. We urge you to engage with Congressional leadership to reverse the looming 2 percent sequestration cut and ensure that Congress acts to avert this PAYGO once again.



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We look forward to continuing to work together to support Pennsylvania hospitals as we care for patients and communities.

Sincerely,

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