

# MEDICARE REIMBURSEMENT

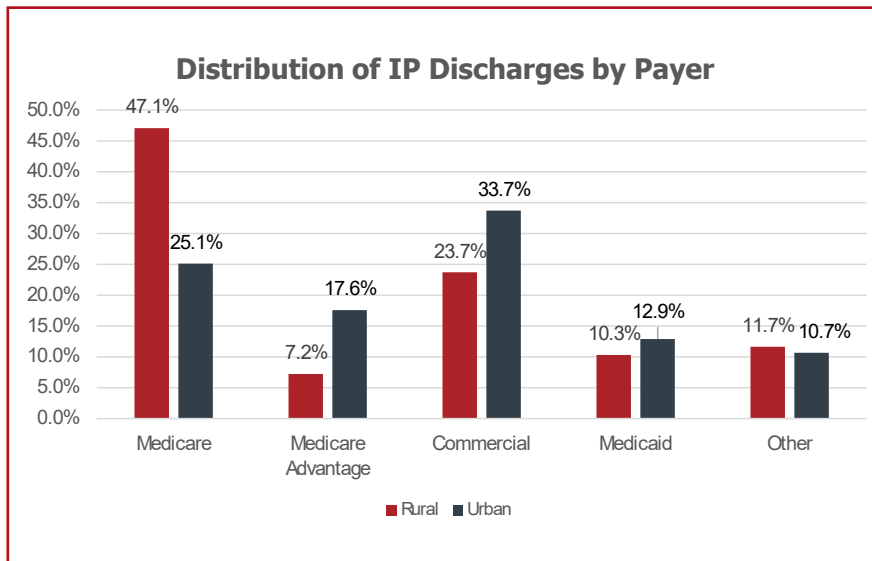
## THE SOLUTION

Eliminate cuts to protect the state’s health care safety net and implement reimbursement policies to reflect current market forces.

According to 2025 data from CMS, over 604,000 Kansans or 20 percent of the state’s population are covered by Medicare. That 20 percent, however, is responsible for over 43 percent of Kansas hospital patient days. Since Medicare reimbursement is foundational to a hospital’s finances, margins are very important. Data from 2024 indicates Medicare margins in Kansas are negative 6.26 percent. Even if sequestration were eliminated, Medicare would still fail to cover the cost of care.

### PAYER MIX

Payer mix also is integral to a hospital’s financial stability. If a hospital’s payer mix is out of balance, it will struggle. Medicare inpatients make up the largest percentage of patients in both rural and urban areas of the state. When Medicaid, which pays significantly less to providers than the cost to provide care, is added to the mix, the result is that 56 percent of urban patients and 65 percent of rural patients receive services that leave hospitals in the red after reimbursement. While commercial payers can help balance the system on certain services, the gap continues to widen as Medicare beneficiaries become a larger share of the patient mix. This is made more dire when payments from Medicare are both slashed by sequestration and lose value due to inflation.



Source: KHA Inpatient Discharge Data CY2025

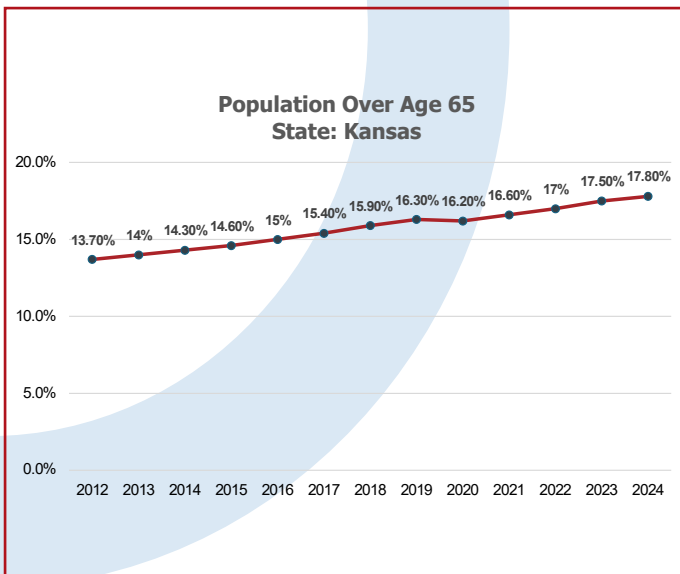
### MEDICARE POPULATION GROWS; MEDICARE FUND SHRINKS

Similar to other states, the number of Kansans on Medicare is growing each year and will continue to grow as nearly 20 percent of the state’s population is over the age of 65. At the same time, the Medicare Trust Fund is shrinking with the Hospital Insurance Fund projected to run out of money by 2040. This imbalance will impact the financial viability of hospitals throughout Kansas, ultimately threatening access to care for all Kansans.

# FEDERAL: MEDICARE REIMBURSEMENT CONTINUED ...

## THE SOLUTION:

Eliminate cuts to protect the state's health care safety net and implement reimbursement policies to reflect current market forces.



Source: U.S. Census Bureau Population and Housing Unit Estimates (2025)

## A CONGRESSIONAL SOLUTION

**Eliminate sequestration.** KHA has always opposed sequestration which wrongly assumes that when it comes to Medicare, the federal government should only have to pay for 99 percent of its bills. In recent years, additional percentage cuts to Medicare reimbursement have loomed due to PAYGO. We ask Congress eliminate the possibility of a PAYGO cut. Do not add years to sequestration on the back end to pay for it.

**Implement Medicare reimbursement policies that are sufficient to ensure beneficiaries' access to care,** such as updating the annual Medicare base payment rates for general acute care hospitals by at least the amount specified in current law plus one percent. Medicare reimbursement should reflect market forces like inflation and rising staffing costs to cover more of the cost of care for Medicare patients.

## Eliminate ACA Disproportionate Share Hospital cuts.

The DSH program helps fill the gap between commercial and government payers and offsets uncompensated care. The ACA cut DSH payments because the bill's authors assumed all states would expand Medicaid - an assumption that proved incorrect. Congress recently eliminated these cuts for FY 2026 and 2027, but the FY 2028 cut will go into effect on Oct. 1, 2027 unless Congress acts. Non-expansion states, like Kansas, need Congress to continue providing relief from DSH cuts to protect the state's health care safety net.

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