

# MEDICARE REIMBURSEMENT

## THE SOLUTION

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

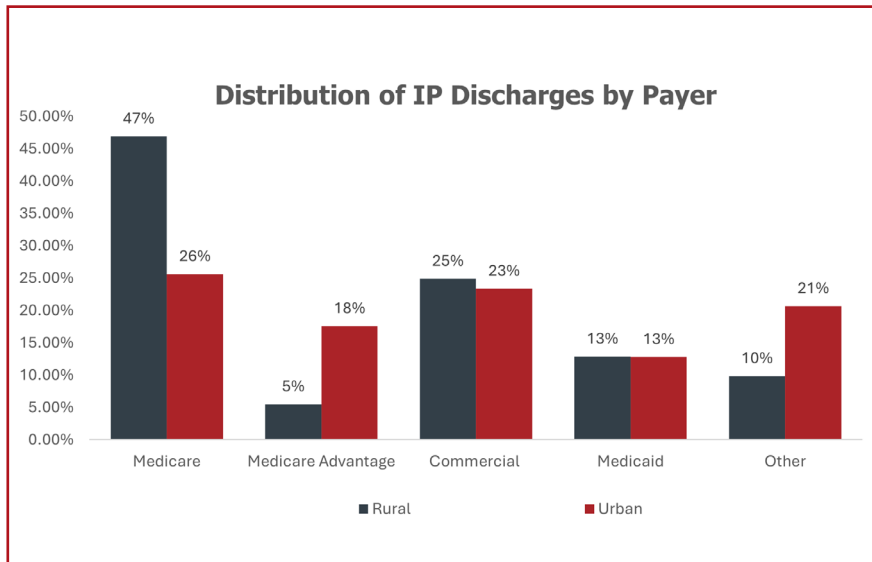
According to 2024 data from CMS, over 588,000 Kansans or 17 percent of the state’s population are covered by Medicare. That 17 percent, however, is responsible for over 43 percent of Kansas hospital patient days. Since Medicare reimbursement is foundational to a hospital’s finances, margins are very important. Data from 2023 indicates Medicare margins in Kansas are negative 4.72 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 57 percent of urban patients and 65 percent of rural patients receive services that leave hospitals in the red after reimbursement. While commercial payers help balance the system, 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.

### 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 between 50 and 64 years of age. At the same time, the Medicare Trust Fund is shrinking with the Hospital Insurance Fund projected to run out of money by the end of this decade. This imbalance will impact the financial viability of hospitals throughout Kansas, ultimately threatening access to care for all Kansans.



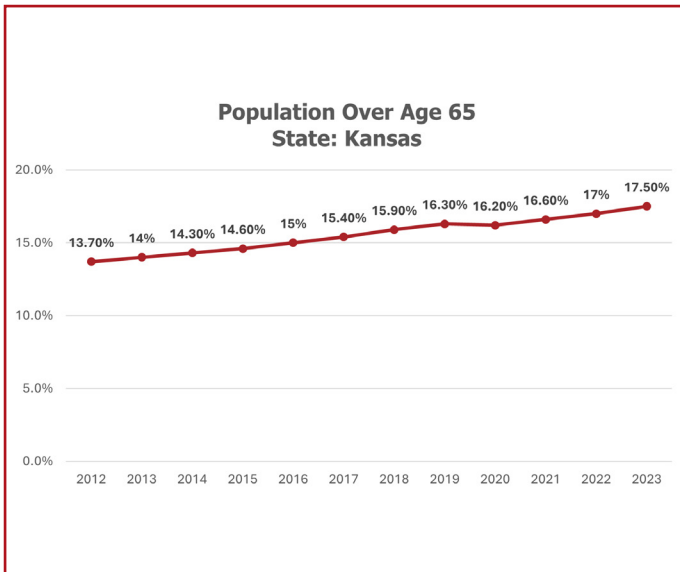
Source: KHA Inpatient Discharge Data FY2024

# FEDERAL: MEDICARE REIMBURSEMENT CONTINUED ...

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## THE SOLUTION:

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Source: U.S. Census Bureau Population and Housing Unit Estimates (2023)

## 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. An additional four percent cut to Medicare reimbursement looms at the end of fiscal year 2025 due to PAYGO waivers during the pandemic sequestration holiday. We ask Congress to eliminate the possibility of a PAYGO cut and 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 2025 Medicare base payment rates for general acute care hospitals by the amount specified in current law plus at least 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 has delayed these cuts but the cuts are set to expire on April 1, 2025. Non-expansion states, like Kansas, need DSH cuts delayed to protect the state's health care safety net. We ask that Congress act again to maintain the status quo.

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