To:    Members of the Kansas Congressional Delegation  
From:  Chad Austin, President and CEO  
        Audrey Dunkel, Vice President of Government Relations  
Date:  June 6, 2022  
Re:    Pending Sequestration Deadline

As the calendar turns from spring to summer, we at the Kansas Hospital Association wanted to reach out to you regarding the need for Congress to act in order to change the current legal framework surrounding Medicare sequestration. KHA has always been opposed to sequestration, and we appreciate how you have supported efforts to waive its requirements during the ongoing COVID-19 public health emergency.

However, we now stand at an inflection point. Since April 1, 1% of sequestration has been back in effect; Medicare now essentially reimburses hospitals on a cost basis. On July 1, sequestration is set to go back into its full 2% effect, and the federal government will once again be reimbursing providers for their services at below cost. Further, PAYGO rules currently require that an additional 4% cut to Medicare reimbursements must go into effect on January 1, 2023 without Congressional action.

Hospitals do not have the option of telling vendors that we will pay only 95% of what we owe them, but without any changes to current law, that is essentially what Medicare will be telling Kansas’ providers. For better or worse, Medicare covers such a large proportion of Kansans—particularly in rural areas—that hospitals have no choice but to accept it. Without any changes to current law, however, all health care providers will have their balance sheets degraded by this unfair arrangement.

COVID-19 is quickly becoming a part of the country’s permanent health care dynamic, and seniors are the most vulnerable age demographic. As such, the federal government should fairly reimburse hospitals serving Medicare beneficiaries. We look forward to working with you on solutions to fix this impending sequestration cliff. Thank you for your always-thoughtful consideration of Kansas’ hospitals’ needs, and please do not hesitate to contact us!