



*We care about Iowa's health*

September 9, 2024

The Honorable Chiquita Brooks-LaSure  
Administrator  
Centers for Medicare & Medicaid Services  
U.S. Department of Health and Human Services  
P.O. Box 8013  
Baltimore, MD 21244-8013  
Attn: CMS-1809-P

**Re: CMS-1809-P Medicare and Medicaid Programs: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems; Quality Reporting Programs, including the Hospital inpatient Quality Reporting Program; Health and Safety Standards for Obstetrical Services in Hospitals and Critical Access Hospitals; Prior Authorization; Requests for Information; etc.**

Dear Administrator Brooks-LaSure:

On behalf of Iowa's 123 hospitals, including 33 prospective payment system hospitals, the Iowa Hospital Association (IHA) appreciates the opportunity to provide comments on the Centers for Medicare & Medicaid Services' (CMS) proposed rule for the Calendar Year (CY) 2025 Outpatient Prospective Payment System (OPPS). Additionally, IHA supports the feedback provided by the American Hospital Association (AHA) regarding this proposal.

The following comments are offered within the context of Iowa hospitals' dual role as key drivers of both the state's healthcare infrastructure and economic health. Understanding the immense challenges they face in maintaining financial sustainability, while delivering high-quality care to Iowans, is crucial to fully grasp the significance of our recommendations.

### **Economic and Community Anchors**

Iowa's hospitals serve as critical infrastructure not only for healthcare but for the state's economy. Their substantial contributions can be quantified both in terms of job creation and economic impact, as well as the essential services they provide to communities across the state. Consider the following:

### **Economic Contributions**

- **Employment:** Iowa hospitals collectively provide \$5.7 billion in wages and benefits,

supporting 77,000 direct healthcare jobs. These positions include clinical staff such as nurses, physicians, and specialists and the administrative and operational support necessary to ensure smooth healthcare delivery.

- **Job Support:** Beyond direct employment, Iowa hospitals stimulate additional economic activity by indirectly supporting 145,000 jobs in other sectors, including construction, technology, and services that support hospital operations. This multiplier effect highlights the broad economic footprint of hospitals in both urban and rural communities.
- **Economic Impact:** Hospitals generate \$21.5 billion in economic activity, representing 12% of the state's gross domestic product (GDP). This reflects not only the direct expenditures of hospitals on wages, supplies, and services, but also the broader economic contributions hospitals make through community partnerships, capital investments, and support of local businesses.

### **Community Benefits**

Iowa hospitals go beyond their traditional healthcare role by providing extensive community services and financial assistance:

- **Community Contributions:** Each year, hospitals in Iowa contribute \$1 billion in community benefits. This includes health education programs, subsidized health services, and outreach initiatives aimed at improving population health. Many hospitals also support social services, food security programs, and mental health initiatives that directly address the social determinants of health.
- **Charity Care:** In 2023 alone, Iowa hospitals provided \$286 million in charity care, ensuring that low-income and uninsured individuals could access necessary medical services. This commitment to charity care underscores hospitals' role as health care safety nets in their communities, providing care to all individuals regardless of their ability to pay.

### **Changing Care Patterns and Reimbursement Models**

Healthcare delivery in the U.S. is undergoing significant changes, with a marked shift from inpatient to outpatient care. This change is especially evident in Iowa, where hospitals are seeing:

- **Increase in Outpatient Services:** The demand for outpatient procedures, diagnostics, and treatments has been rising steadily. While this shift aligns with national trends toward more efficient, patient-centered care, it has created challenges for hospitals that traditionally relied on inpatient services for a sizable portion of their revenue.
- **Decreased Inpatient Care:** With fewer patients staying overnight, hospitals face revenue challenges, especially as outpatient services often have lower reimbursement rates compared to inpatient stays. This trend necessitates adjustments in revenue models, staffing, and capital expenditures, adding to operational complexities for hospitals.

### **Dependence on Public Payers**

Public payers, particularly Medicare and Medicaid, account for a significant share of Iowa

hospitals' patient populations. In 2023:

- **Public Payer Mix:** On average, more than 60% of patients were covered by public programs. Specifically, Traditional Medicare and Medicare Advantage accounted for 44.5%, while Medicaid covered an additional 16.3%. As public payers typically reimburse at lower rates than private insurers, this payer mix puts substantial financial strain on hospitals, especially when payment updates do not keep pace with rising costs.
- **Reimbursement Shortfalls:** The lower reimbursement rates from Medicare and Medicaid often fall short of covering the full cost of care. Hospitals are, therefore, left to absorb the financial losses, which can have a compounding effect, especially when public payer coverage is high.

### **Escalating Financial Pressures**

Iowa hospitals are currently operating in a financially precarious environment. From 2022 to 2023 alone, Iowa hospitals incurred a combined operational loss of \$600 million, driven by:

- **Rising Costs:** Inflation and supply chain disruptions have significantly increased the cost of running hospitals. From 2019 to 2023:
  - *Supplies:* Hospitals spent an additional \$247 million on supplies such as personal protective equipment (PPE), medical devices, and general operational needs.
  - *Labor Costs:* Contracted labor costs surged by \$420 million, as hospitals struggled to fill staffing shortages and were forced to rely on temporary or travel nurses.
  - *Pharmaceutical Expenses:* Drug prices have also spiked, with a \$490 million increase in pharmaceutical costs over the same period.
  - *Payroll and Benefits:* Wages and benefits, the largest expense category for hospitals, increased by \$1.34 billion, driven by workforce shortages and competitive pay rates to attract and retain healthcare professionals.
- **Total Expense Increase:** Overall, hospitals have faced a cumulative expense increase of \$2.8 billion from 2019 to 2023. This rise in operational costs, without corresponding increases in reimbursement rates, has significantly strained hospitals' finances.

These trends underscore the importance of supportive policies and adequate funding to preserve the ability of Iowa hospitals to continue providing high-quality care to their communities.

### **OPPS Payment Update**

For CY 2025, CMS has proposed a market basket update of 3.0%, less a 0.4% productivity adjustment, resulting in a net update of 2.6%. This proposal, while technically an increase, fails to account for the extraordinary cost pressures hospitals face, perpetuating underpayments and exacerbating financial stress across the hospital sector.

In CY 2022, CMS finalized a market basket update of 2.7% based on historical data. However, actual cost growth for hospitals, driven by inflation and labor shortages, was closer to 5.7%. The

use of outdated or lagging data in the market basket calculation led to a significant underpayment of 3.0 percentage points, which has since been carried forward into future payment rates. This discrepancy has resulted in \$2.8 billion in cumulative underpayments annually across the country.

Hospitals also continue to face elevated costs for labor, supplies, and pharmaceuticals, with inflation persisting at historic highs. The proposed 2.6% update does not adequately address these ongoing financial burdens, which could lead to further reductions in service availability and access, particularly in rural areas.

IHA strongly urges CMS to reconsider the proposed payment update and adjust the market basket to more accurately reflect the current economic conditions hospitals are facing.

### **Health and Safety Standards for Obstetrical Services**

Iowa hospitals fully support efforts to improve maternal health outcomes. While CMS' proposed Conditions of Participation (CoPs) for obstetrical services are well-intentioned, they may inadvertently reduce access to critical services, particularly in rural areas.

Key concerns include:

- **Equipment Requirements:** Mandating cardiac and fetal doppler monitors in each patient room is unnecessary and would impose significant costs. Current practice uses portable monitors as needed, ensuring flexibility without excessive investment.
- **Staffing Requirements:** The definition of "experienced" personnel supervising obstetrics units is unclear, especially in smaller hospitals where staff often work in multiple specialties. More clarity is needed to ensure practical implementation.
- **Training Oversight:** The proposal places the responsibility for training decisions on governing bodies, which may lack the necessary medical expertise. Medical leadership should guide training decisions to ensure effective and relevant instruction.

IHA recommends CMS work with hospitals to develop collaborative solutions that address access to maternal health services across the continuum of care, rather than imposing blanket CoP requirements that may limit access to services.

### **Prior Authorization Timeframes**

CMS' proposal to shorten the response time for non-urgent prior authorizations from 10 business days to seven calendar days is a positive step toward reducing administrative burdens and improving timely access to care. However, IHA recommends further adjustments for urgent care requests to minimize delays.

Under current practice, an expedited prior authorization request made immediately before a weekend or holiday could extend to four or more calendar days. IHA recommends that CMS implement a policy requiring Medicare Administrative Contractors to respond within 72 hours or two business days for urgent care requests, whichever is shorter. This would help prevent avoidable delays in critical care delivery.

Thank you for the opportunity to provide feedback on these critical issues. We look forward to continued collaboration to ensure that Iowa hospitals can maintain their vital role in delivering high-quality, accessible health care to our communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Mitchell". The signature is fluid and cursive, with a prominent initial "C" and "M".

Chris Mitchell  
President/CEO  
Iowa Hospital Association