

Talking points/Key messages:

- Illinois hospitals are grappling with significant increases in costs for labor, drugs, supplies and equipment.
- The current inflationary economy combined with the ongoing COVID-19 pandemic has put unprecedented pressure on Illinois hospitals and health systems.
- Hospitals and health systems nationwide have logged five straight months of operating margin declines on the national level, according to a June 28 report by Kauffman Hall.
- Hospitals cannot simply increase prices to offset rising costs and reductions in revenues. Medicare and Medicaid rates are set by the government and reimburse below the cost of providing care. The Medicare Payment Advisory Commission (MedPAC) reports that hospitals experienced a -8.5% margin on Medicare services in 2020, and that these margins will fall further to -9% in 2022.
- Unfortunately, the Centers for Medicare & Medicaid Services (CMS) is proposing inadequate updates for Medicare payments in fiscal year (FY) 2023 that fail to account for the inflationary environment and continued labor and supply cost pressures.
- In its Inpatient Prospective Payment System (IPPS) proposed rule, CMS proposed an update of only 3.2%, which after other adjustments, may result in a *negative* update for many hospitals.
- In its Outpatient Prospective Payment System (OPPS) proposed rule, CMS proposed an update of only 2.7%.
- The majority of inpatient utilization in Illinois hospitals involve Medicare and Medicaid: 94% of hospitals have 50% or more inpatient days paid by Medicare and Medicaid, and 77% have 67% or more.
- While we are grateful for the federal support provided to date, the financial toll of the ongoing pandemic and inflationary economy have far outpaced the lifeline of resources provided and do not account for the ongoing financial strain.
- **[Highlight any service reductions that have been implemented or are being considered due to financial challenges, and any other impact to patient and community care.]**
- As hospitals continue to “do more with less,” it is imperative that Congress advance policies that support financial viability and prevent deeper cuts to hospitals.