

## HEALTH CARE TEAM

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## PROTECT SACRAMENTO'S HEALTH CARE ECOSYSTEM

### Business Nexus

America's hospitals, health systems, community health centers, and other health care providers have always been on the frontlines caring for patients. The COVID-19 pandemic, however, brought challenges none of us could have imagined. While COVID-19 cases and hospitalizations have decreased, the impacts of this unprecedented and devastating pandemic are still being felt. Workforce challenges and provider burnout, financial pressures that are affecting access to care, higher incidents of mental and behavioral health care needs and increased patient demand: the pandemic has had a ripple effect that puts stress on the entire Sacramento region and the providers who serve this community.

### Requested Actions

- Support Sacramento's ecosystem of hospitals, health systems, medical groups, physicians and community health centers, and other providers, by opposing any cuts to Medicare or Medicaid reimbursement. The safety net is fragile and now is not the time for provider cuts.
- Congress must delay or eliminate the DSH cuts so that financially struggling hospitals can continue caring for vulnerable communities and low-income individuals.
- Provide stability and sustainability in the Medicare physician fee schedule by stopping the 2% payment cuts and implementing an annual inflation update that keeps pace with the costs to provide care.
- Support legislation that will immediately address our workforce crisis and create more GME slots.
- Greaten recognition of financial hardships of hospitals, health systems, and medical providers and support as we continue to recover post-pandemic.

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## Ensure Financial Solvency of our Regions Health Care Providers

According to the American Hospital Association, hospital's operating margins were **down 44%** through November 2022 compared with 2021. Over \$12 billion in losses for California hospitals have occurred since the pandemic began even after accounting for federal relief. Additionally, over the past two years, the cost of caring for patients in every setting has skyrocketed. The numbers speak for themselves. According to Kaufman Hall, since 2019, **labor expenses have spiked 16%, pharmaceutical costs have grown by 41% and medical supply costs have jumped 19%**.

This is all occurring while provider reimbursement remains fixed. So California's health care system is on the edge of a cliff. We know that Congress has many priorities, including funding the federal government for the next fiscal year: a formidable challenge considering the looming debt ceiling debate where the focus is on reducing expenditures. With the vision of vibrant health for the region, we look to our federal leaders to protect Medicaid (Medi-Cal) funding and oppose any Medicare reimbursement cuts that would only further undermine the financial recovery of the region and inevitably jeopardize access to care.

With this in mind, under current law, \$8 billion in cuts to Medicaid disproportionate share allotments (DSH) are scheduled to begin October 1, 2023 and will continue annually through Federal Fiscal Year 2027. These cuts have been delayed since 2014 and must be further delayed or eliminated. If implemented, they would be catastrophic for safety-net hospitals and could force many to reduce services or even permanently close. Madera Community Hospital closed its doors on December 31, 2022, after facing a devastating financial crisis. This situation may be compounded with many smaller, independent Providers choosing to scale back or cease providing services to Medicaid beneficiaries entirely, as it becomes economically impossible for them to do so in an environment where their costs are rising steeply and out-pacing re-imbursement rates. This would likely further reduce access to care for under-served and under-represented communities.

### Medicare Reimbursement

Medicare is a significant payer source for health systems, hospitals, community clinics, physicians, and other providers, all of whom are committed to providing access to affordable, efficient, and quality health care despite operating in a challenging regulatory environment and difficult reimbursement structure. More than 60 million people are enrolled in Medicare, nearly 6.2 million of them in California. The program is expected to continue to grow to over 80 million by 2030. Consistent payment, for both traditional Medicare and Medicare Advantage, supports innovation, access to coordinated care, and improved outcomes for beneficiaries.

The pandemic's unprecedented strain on the health care ecosystem has added to the financial vulnerability of providers. Medicare reimbursements are inadequate and quickly eroding, adding pressure to the system. This is especially true in Northern California, which has the lowest Medicare

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margins in the United States, despite being one of the most efficient regions in the country when it comes to the delivery of care. Stabilizing Medicare payments will ensure an adequate supply of physicians in the Medicare program and reduce overall healthcare costs. The 2% Medicare physician payment cut comes on top of two decades of flat physician payment rates that haven't been adjusted for inflation. When adjusted for inflation, Medicare physician payments have dropped by 22% from 2001 to 2021. Physicians simply cannot afford to operate under the current payment system. In a recent CMA survey, 76% of California physicians said Medicare fee-for-service payments do not cover the costs to provide care and 41% are closing their practice to new Medicare patients.

In the Sacramento region, hospital FFS Medicare margins are negative 47%. This level of under-reimbursement is unsustainable. It drives upward pressure on commercial rates, and it is already beginning to create access challenges. Left unaddressed, this will become a crisis. Combined with an over-extended workforce, now is not the time to reduce provider payments. Congress should likewise be cautious about significant downward pressure on Medicare Advantage rates that would in turn have a financial impact on providers. We ask Congress to work with the Administration to stabilize Medicare reimbursements.

## **Behavioral Health**

The greater Sacramento Region was awarded its first Certified Community Behavioral Health Center (CCBHC) by the Substance Abuse and Mental Health Services Administration (SAMHSA) following passage of the Excellence in Mental Health and Addiction Treatment Act of 2021. It is a program that is uniquely suited to the healthcare partnerships in Sacramento with the potential to change the landscape of behavioral health care. But the program is not sustainable beyond the initial federal funding period unless the State of California seeks approval from CMS for a reimbursement methodology through a SPA or 1115 waiver. We greatly appreciate the leadership shown by Congress and ask for your assistance in encouraging state officials to take the measures needed to enable long-term sustainability of these critical behavioral health centers.

## **Tackling Provider Burnout and Ensuring a Strong Health Care Workforce**

Hospitals and health systems exist and function because of the doctors, nurses, behavioral health providers, technologists, facilities management specialists, and many other professionals who work in them. We need a multi-pronged approach and ask that Congress support funding for additional residency slots and reauthorization of nursing workforce development programs to support recruitment, retention, and advanced education for nurses and other allied health professionals, and investing in nursing schools, nurse faculty salaries, and hospital training time. While we appreciate the residency slots included in the FY 2023 spending bill, we should build on this work to make this more available. Additionally, we ask that Congress support legislation that reduces unnecessary use of prior authorization and inappropriate coverage denials that limit access to care and lead to

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clinician burnout, and includes apprenticeship programs for nursing assistants and other critical support staff positions. Finally, it is crucial to the mental and behavioral health workforce to meet the rising demand for services and ensure patients have access to culturally and linguistically appropriate care.

## **The Importance of Telehealth**

As a field, we rapidly shifted from using telehealth to reduce chances of infection to understanding its use as an effective way to improve access to care and quality services. Telehealth is a game-changer in the provision of services and has become an essential tool used to provide equitable access to needed care for all. We appreciate the significant action taken by Congress in recognizing the important role telehealth continues to play by enacting legislation that will allow providers to continue to provide many services through 2023 and 2024. We look forward to working with policy makers to shape future legislation that will chart the path forward and further leverage the learnings of the past three years.

## **340B Hospitals**

The 340B program is an essential part of the Sacramento safety net. The savings and revenue from 340B are directed toward maintaining services, offering programs and clinics outside our hospital walls, and providing the range of services needed by our patients. The 340B program is essential to maintaining and expanding access to health care in communities where it would not otherwise exist. We need continued support from Congress to maintain this essential program.