

The adequacy of Medicare payments is extremely important to Kentucky hospitals because, on average, **49% of all hospitalized Kentucky patients are covered by Medicare**. Kentucky hospitals continue to lose money on caring for Medicare patients as the percent of costs covered by Medicare payments has declined substantially since passage of the Affordable Care Act (ACA) in 2010.

- Medicare payments cover only 90% of actual costs
- Kentucky hospitals have already experienced nearly \$2.7 billion in payment reductions from 2010 to 2018
- Another \$8.4 billion in cuts is expected from 2019-2028 for a grand total **\$11 billion reduction in Medicare payments to Kentucky hospitals over the period 2010 to 2028**

With double digit negative Medicare margins and declining financial condition, Kentucky's hospitals cannot absorb further Medicare payment reductions. The bullets below illustrate how existing Kentucky hospital payments could be affected by additional cuts that Congress may consider.

- **Elimination of the Sole Community Hospital program.....-\$2.5 Billion**
- **Site-neutral Payments (for ASC and excluded HOPDs).....-\$563 Million**
- **Reducing Medicare Bad Debt Reimbursement.....-\$350 Million**
- **Elimination of Critical Access Hospital Status.....-\$317 Million**

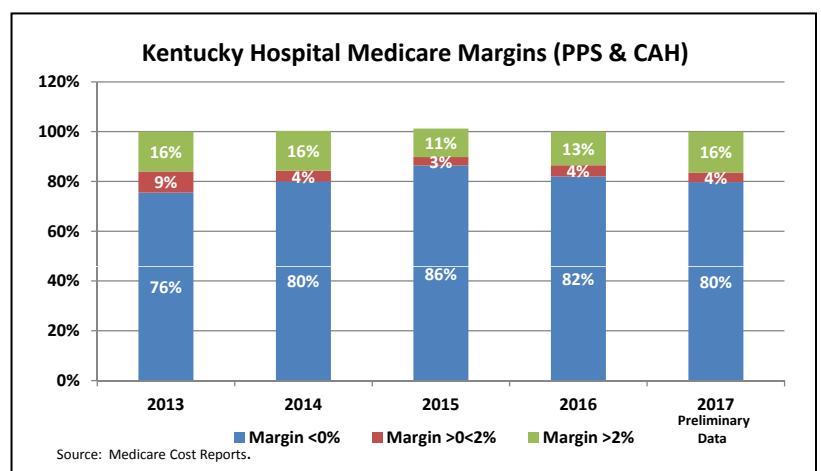
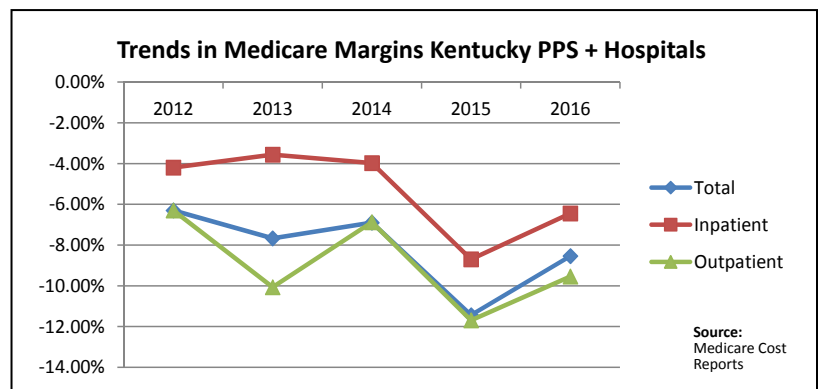
KHA urges the Kentucky congressional delegation to oppose further cuts to Medicare.

Declining Hospital Medicare Margins

Recent payment reductions have caused a growing number of Kentucky hospitals to have Medicare losses.

- Since 2013, roughly **80% of Kentucky's hospitals have consistently had negative Medicare margins.**
- Kentucky hospitals lose more money on Medicare outpatient services at a time when more services are shifting to the outpatient setting.

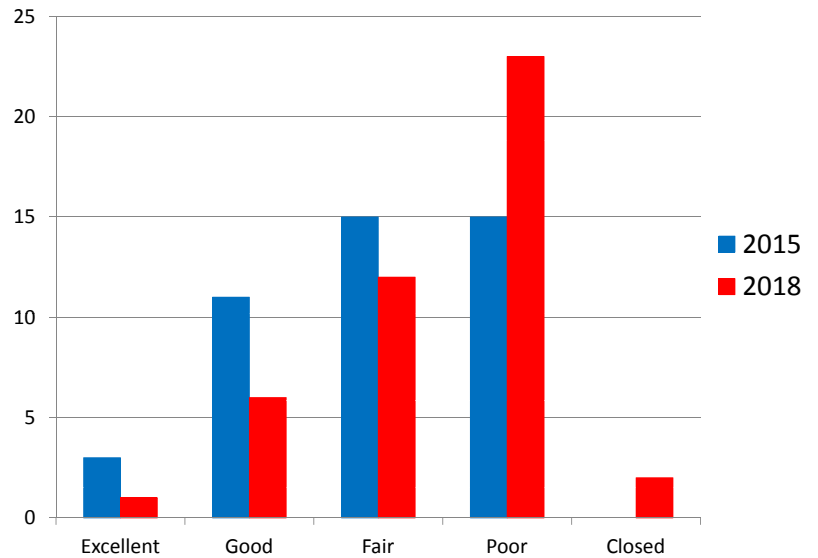
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Declining Hospital Financial Condition

Maintaining access to high quality hospital services in rural areas is extremely important. **Kentucky is the eighth most rural state and is the fourth poorest state in the nation.** A report by the Auditor of Kentucky in 2015 examined the financial status of 44 rural hospitals and found that more than two-thirds scored below the national Financial Strength Index (FSI) average and 34 percent scored sufficiently low as to be considered in poor financial health. Using more recent data, **KHA has updated this analysis and found that the financial condition of Kentucky's rural hospitals is deteriorating.**

Trends in Rural Kentucky Hospital Financial Strength



Source: Medicare Cost Reports, KHA.



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