Congressional Staff:

Good afternoon. I am sharing GNYHA's comments on H.R. 5378, the Lower Costs, More Transparency Act, the health care package that may be considered on the House floor as early as next week.

While GNYHA supports some of the bill's provisions, including the elimination of the Medicaid Disproportionate Share Hospital (DSH) cut, **we are deeply disappointed that the bill contains a major Medicare "site-neutral" cut to hospital outpatient department reimbursement.** Hospitals are a critical safety net for underserved communities and ensure that the sickest, most vulnerable patients can access care where it may not otherwise exist. Cutting reimbursement for hospital outpatient departments will significantly disrupt patient care and accelerate hospitals' financial challenges.

Please find below our comments on sections of the bill relevant to GNYHA member hospitals.

Medicare Site-Neutral Cuts

GNYHA strongly opposes Sec. 203, which imposes Medicare site-neutral cuts for drug administration services in off-campus hospital outpatient departments starting in 2025.

This dangerous cut will reduce hospital payments by more than $3 billion over 10 years. GNYHA projects that it would cut New York hospitals by $40 million annually, a disproportionate share of the annual national reimbursement cut.

Site-neutral cuts disregard the higher costs of providing care in a hospital setting and reflect a fundamental misunderstanding of how hospitals operate. Hospitals receive a higher reimbursement rate because they are open 24/7, care for medically complex and underserved patients, and comply with myriad regulatory requirements that do not apply to physician offices. Hospital-based outpatient services are a lifeline for communities with scarce health care options.

Hospitals are already struggling with inadequate Medicare reimbursement, which only covers 85% of the cost of care. As hospitals face continued financial challenges, additional cuts will force some essential providers to reduce services or put them at risk of permanent closure.

Medicaid DSH Payments

GNYHA strongly supports Sec. 303, which eliminates the Medicaid DSH cuts for fiscal years (FYs) 24-25. Medicaid DSH payments ensure that financially struggling safety net hospitals can continue to serve low-income and uninsured patients. If the scheduled DSH cuts go into effect, New York State alone would absorb approximately 17% of the national reduction—a catastrophic $1.4 billion annual loss that could force many of our struggling voluntary and public hospitals to reduce services or even close their doors for good.

Price Transparency

Sec. 101 & 104: Price Transparency Requirements for Hospitals and Ambulatory Surgical Centers

Section 101 "codifies" the Federal hospital price transparency rule. It requires hospitals to make public all standard charges for all items and services through machine-readable files as well as payer-specific negotiated charges, including for cash-paying patients, for at least 300 "shoppable services." It also clarifies that price estimator tools no longer meet the user-friendly shoppable services requirement stipulated in the Federal rule. Section 104 expands price transparency requirements to include ambulatory surgical centers.

GNYHA believes the legislation's changes to the shoppable services requirement would penalize hospitals that have invested significant resources developing price estimator tools that comply with the

regulation. It would impose an additional burden on hospitals to realign their existing posted data with a new format. Lastly, Section 101 increases the maximum penalty for noncompliance to $10 million, a staggering increase from the regulation's $2 million maximum that could push noncompliant hospitals past their financial brink.

The Federal price transparency rule is effective. According to the Centers for Medicare & Medicaid Services, 70% of US hospitals fully complied with the rule one year after its implementation. Targeting hospitals by imposing additional burdensome reporting requirements will not help patients or their loved ones make important health care decisions.

Sec. 202: Preventing Spread Pricing and Related Practices in Medicaid
Sec. 202 bans spread pricing in Medicaid, including for Pharmacy Benefit Managers (PBMs) that contract with Medicaid Managed Care Organizations (MCOs). Spread pricing is the difference between the payment a PBM receives from the MCO and the amount of reimbursement it pays to the pharmacy, which PBMs may use as profit. Sec. 202 would limit reimbursement to a drug's ingredient cost plus a professional dispensing fee. PBMs contracting with MCOs would be permitted to receive a fair market value administrative fee for managing the pharmacy benefit. Sec. 202 also directs the Health and Human Services Secretary to survey retail community pharmacy drug prices to determine the national average drug acquisition cost, and to report to Congress on specialty drug coverage and reimbursement.

GNYHA opposes Sec. 202. It mandates that Medicaid managed care organizations (MCOs) pay for all retail drugs at cost, similar to payment requirements under Medicaid fee-for-service. Despite the bill's attempts to address 340B drugs, it would still reduce hospitals' ability to retain savings from the 340B program, resulting in fewer resources to care for patients in need. It is imperative that physician-administered drugs that are currently covered under the Medicaid managed care medical benefit in many states, including New York, continue to be reimbursed at Medicaid MCO negotiated rates. Removing access to this revenue would significantly impact hospitals' ability to invest in comprehensive services and access to care for their communities and undermine the intent of the 340B program for safety net providers.

Sec. 204: Requiring a Separate Identification Number and an Attestation for Each Off-Campus Outpatient Department of a Provider
Sec. 204 requires each off-campus outpatient department of a Medicare provider to obtain and include a national provider identifier on billings for claims for services.

GNYHA opposes Sec. 204. It imposes enormous administrative burdens on hospitals that are already subject to provider-based requirements, with potential recoupments if they are found to be out of compliance. The existing requirements are sufficient to ensure that providers remain in compliance.

Health Care Workforce
Sec. 301 extends the Community Health Center Fund through calendar year (CY) 2025 at $4.2 billion per year and National Health Service Corps through CY 2025 at $350 million per year. It also extends the Teaching Health Center Graduate Medical Education Program (THCGME) for FYs 2024-29, beginning at $175 million in FY 2024 and increasing to $275 million in FY 2029. It allows the Health Resources and Services Administration to utilize carryover funds for the THCGME program for FYs 2024-25.

GNYHA supports funding for Community Health Centers, the National Health Service Corps, and THCGME. As hospitals face myriad labor challenges, these programs are essential to bolstering the health care workforce and ensuring that providers can meet the nation's accelerating health care demands.

GNYHA strongly believes that **now is not the time to cut providers.** Many of New York's hospitals, nursing homes, and other health care providers are grappling with accelerating financial challenges and worsening labor shortages. Additional cuts may force them to reduce services or permanently close.

As you consider the legislation, please remember that **cuts to hospitals are cuts to patient care.** Any long overdue investments in our health care delivery system should not come at the expense of struggling providers and vulnerable patients who need their services the most.

We appreciate your consideration of our comments. Please contact me if you have any questions or wish to discuss.