



TO: Senate Ways and Means Committee

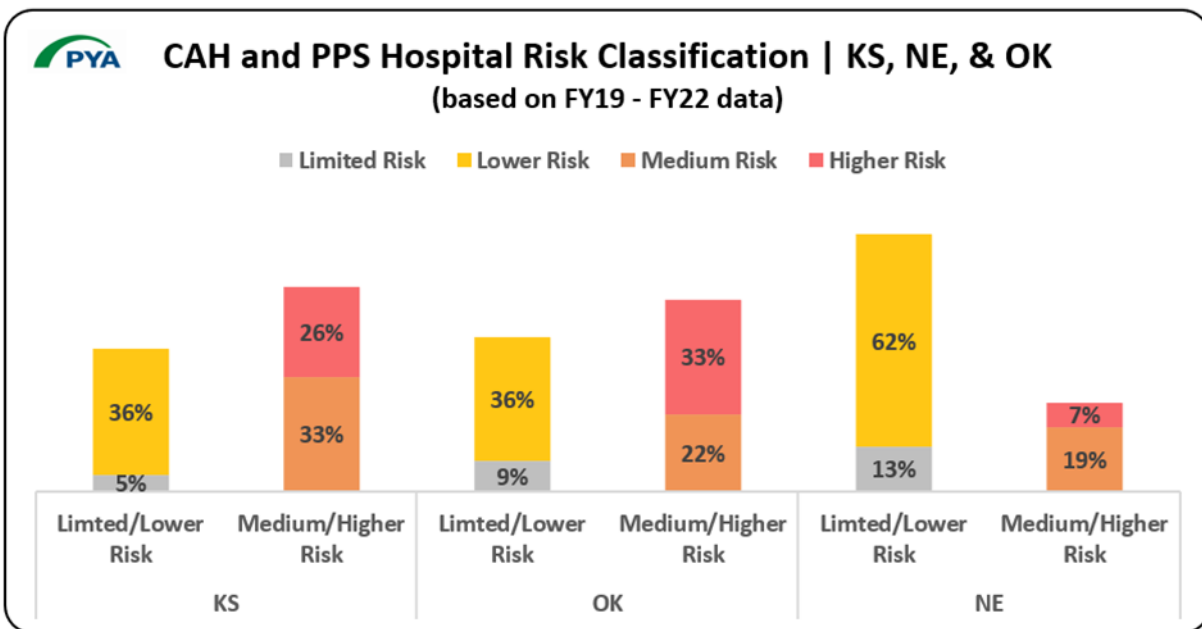
FROM: Tara Mays, Vice President State Legislative Relations  
Shannan Flach, Vice President of Finance and Reimbursement

DATE: March 5, 2025

RE: Kansas Department of Health and Environment Budget

Thank you for the opportunity to address the committee on behalf of the Kansas Hospital Association and our 121 community hospital members. While Kansas hospitals continue to encounter financial headwinds, the work that the Kansas legislature has done is helping. Last year KHA reported that 73 percent<sup>1</sup> of Kansas hospitals began the year with a negative operating margin, in 2024 that number was down to 67 percent<sup>2</sup>.

However, we continue to hear from Kansas hospitals that they are struggling, especially compared to their counterparts across the region and the country. This year, KHA commissioned a study to examine the financial health of Kansas hospitals compared to their counterparts in surrounding states. According to the 2024 study conducted by PYA, Kansas has more than twice the percentage of Medium/Higher risk hospitals than our neighboring state of Nebraska.



Source: PYA, Inc, Whitepaper Study on Financially Distressed Hospitals

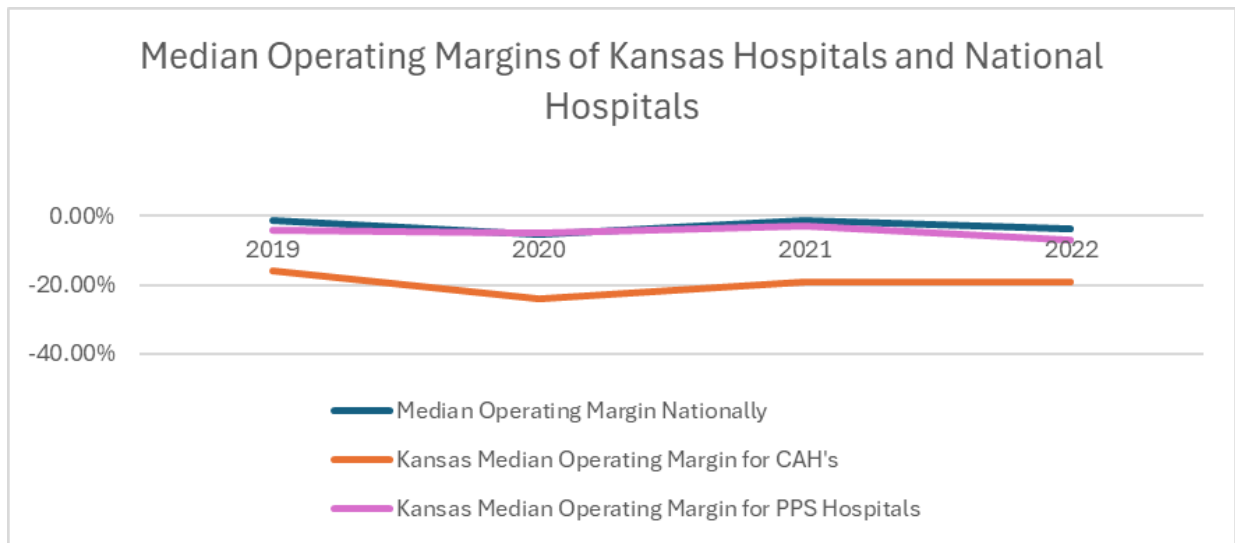
Kansas hospitals continue to struggle compared to national peer hospitals. Nationally, the average days cash on hand for a hospital is 218 days<sup>3</sup>, compared to only 62 days<sup>4</sup> in Kansas. Kansas hospitals also continue to struggle to keep up with normal operating margins:

<sup>1</sup> 2023 KHA Annual Survey

<sup>2</sup> 2024 KHA Annual Survey

<sup>3</sup> [www.kff.org](http://www.kff.org); Strong Days of Cash on Hand in 2022

<sup>4</sup> 2023 KHA Survey



Source: PYA, Inc, Whitepaper Study on Financially Distressed Hospitals

After reviewing health care policies being sought by other states to support their hospitals, KHA and our member hospitals suggest that the legislature consider the following:

#### Continue the momentum to align Kansas Medicaid reimbursement with surrounding states

On average, Medicaid payments make up approximately 12 percent<sup>5</sup> of all revenues received by Kansas hospitals but leave underpayments to Kansas hospitals of more than \$90 million<sup>6</sup>.

Last year the Kansas legislature increased outpatient rates, and Kansas hospitals are seeing those increases. However, there continues to be an opportunity to increase the outpatient Medicaid rates to support Kansas hospitals. The chart below indicates how some Kansas outpatient Medicaid rates compare to surrounding states:

CATEGORY	CPT	KANSAS	COLORADO	MISSOURI	NEBRASKA
Emergency Room	99281	\$62	\$75	\$72	\$101
	99282	\$76	\$140	\$133	\$159
	99283	\$115	\$245	\$232	\$242
	99284	\$179	\$382	\$360	\$379
	99285	\$215	\$548	\$523	\$609
Radiology	71045	\$38	\$215	\$74	\$125
	74176	\$320	\$233	\$199	\$1816
	77067	\$74	\$215	\$109	\$189
	73630	\$33	\$215	\$74	\$79
Outpatient Surgery	45380	\$765	\$1083	\$960	\$413

Source: KHA research based on States' Published Fee Schedules

An increase of \$20 million in State General Funds would bring Kansas more in-line with our surrounding states and help our hospitals.

#### Add-on payments to continue critically needed services

Many Kansas hospitals struggle to fund vital services such as Behavioral Health and Maternity Care. Kansas hospitals need the state of Kansas to build on the work done last session to keep these services available for Kansans. Last year, the legislature invested \$10 million in add-on payments to supplement Kansas hospitals enough to continue providing

<sup>5</sup> 2023 KHA Annual Survey

<sup>6</sup> American Hospital Association Underpayment by Medicare and Medicaid Fact Sheet 2022

Behavioral Health services. We need to continue and expand on the work done last session, so these critical services remain available for Kansans.

### **Patient Avoidable Days Program**

Avoidable patient days refer to instances where a patient remains hospitalized longer than medically necessary due to delays in discharge often caused by issues such as lack of post-acute care placement, homelessness, transportation delays, waiting on insurance approvals, or many other reasons. Because of these discharge problems, Kansas hospitals are holding patients for significant time without reimbursement. Avoidable patient days can drastically increase hospital costs as patients continue to occupy beds while not actively requiring acute care services. When patients stay in a hospital bed longer than necessary due to avoidable delays, it reduces the number of beds available for new patients, KHA has surveyed member hospitals and of 18 responding hospitals in Kansas (1 urban hospital and 17 rural hospitals), we have found 10,713 avoidable patient days. This calculates to an approximate cost of \$8.5million to just these 18 hospitals. This leaves Kansas patients remaining in a hospital setting rather than being placed in a more appropriate care setting.

Surrounding states have programs to reimburse hospitals per diem rate for these patients that is rebased every two years and based off of the Medicare cost reports to reimburse hospitals for these patients that are being served by hospitals without reimbursement.

On behalf of the Kansas Hospital Association and our members, we thank you for your consideration of these suggestions that would help support the financial health of Kansas hospitals. By doing so, this will assist Kansas hospitals as they serve Kansans in your districts and throughout the state.