

September 14, 2022

The Honorable Charles Schumer
Majority Leader
United States Senate
322 Hart Senate Office Building
Washington, D.C., 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
1236 Longworth House Office Building
Washington, D.C., 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, D.C., 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
2468 Rayburn House Office Building
Washington, D.C., 20515

Dear Senate Majority Leader Schumer, Speaker Pelosi and Minority Leaders McConnell and McCarthy:

With the return of Congress following the August recess, Vizient would like to highlight several priorities that are of critical importance to healthcare providers in the United States. Hospitals and healthcare providers continue to face unprecedented challenges related to the impact of the COVID-19 pandemic. Significant increases in supply costs, staffing shortages and confusion around expiring flexibilities have left providers facing severe financial challenges and the need for policy stability – all of which may impact the access and availability of care for patients. Given those challenges, we encourage Congress to act expeditiously on several legislative initiatives that are critical to ensuring patient access to care.

Background

Vizient, Inc. provides solutions and services that improve the delivery of high-value care by aligning cost, quality, and market performance for more than 60% of the nation's acute care providers, including 97% of the nation's academic medical centers, and more than 20% of ambulatory providers. Vizient provides expertise, analytics, and advisory services, as well as a contract portfolio that represents more than \$130 billion in annual purchasing volume, to improve patient outcomes and lower costs. Headquartered in Irving, Texas, Vizient has offices throughout the United States.

Hospital and Provider Financial Support

Currently, healthcare providers are facing serious fiscal challenges that place a substantial strain on our healthcare system and there is no clear end in sight. For example, one way in which Vizient serves our provider members is to negotiate contracts on myriad supplies and services. Generally, based on these experiences, suppliers are seeking significant increases during the contract negotiation process and citing inflation, including increased transportation costs, as justification for such increases. Also, Vizient notes that purchased services and food expenses have been particularly impacted by inflation. For example, the Consumer Price Index for "food" from July

2021-July 2022 was 10.9 percent and for “services” from the same period was 6.2 percent.¹ These increased costs are untenable, especially as providers are facing several other payment reductions unless Congress acts before the end of the year.

Labor costs have also increased drastically. The Vizient Operational Data Base (ODB), which provides hospitals with insights in support of performance improvement and includes data that is submitted by 75 percent of academic medical centers and represents more than \$370 billion in operating expenses, showed an increase of 66% in licensed nursing staffing turnover in the 4th Quarter of 2021. That turnover and other staffing shortages have also led to a dramatic increase in hours paid for contract nursing (+250 percent) and an increase in overtime as a percent of worked hours (+33.5 percent), compared with the 4th Quarter of 2020. Higher use of contract nursing and greater utilization of overtime has resulted in the average hourly wage range (area wage index adjusted) increasing by 19.7 percent. Despite these pressures, nurses have also been spending less time at the bedside, with a reduction of 5.4 percent in registered nurse working hours per patient day. Combined, these issues have led to median labor cost increases of \$114, or 16.4 percent per patient day.

Further, hospitals are operating on a negative operating margin of -0.98 percent on average.² During 2022, the Medicare payment cuts due to sequestration resumed, with the full 2 percent reduction beginning again on July 1, which is further straining hospital and other providers’ budgets. **Vizient urges Congress to provide additional financial support to hospitals and other providers to ensure providing care is sustainable and that access is not jeopardized during this challenging time.**

PAYGO Payment Cuts

Under current law, should Congress not act to avert the statutory Pay-As-You-Go (PAYGO) sequestration cuts, Medicare providers will face an approximately 4 percent across-the-board cut in early 2023. While we appreciate that Congress has traditionally averted these cuts, temporary delays of these drastic payment reductions cause significant uncertainty and instability among providers. This is not the time to allow the implementation of these substantial reductions. Our healthcare system can ill afford such steep cuts when costs are rapidly increasing and many healthcare providers, including hospitals, are currently operating under negative margins. **We strongly urge Congress to act soon to permanently prevent the PAYGO cuts from taking effect beginning in 2023.**

Medicare Hospital Payment System Updates

Despite the evidence regarding the significant increase in supply chain and labor costs borne by healthcare providers, the annual fiscal and calendar year market basket updates provided by the Centers for Medicare and Medicaid Services (CMS) are wholly insufficient. For example, in the Fiscal Year (FY) 2023 Inpatient Prospective Payment System (IPPS) rule, CMS finalized only a 4.1 percent market basket update. With additional changes throughout the rule, the final IPPS rule will only increase reimbursements by an estimated 2.6 percent, after accounting for reductions in outlier payments and other adjustments. Vizient believes the overall market basket update in the

¹ Bureau of Labor Statistics, (August 15, 2022). *Consumer Price Index Unchanged Over the Month, Up 8.5 Over the Year, in July 2022.* <https://www.bls.gov/opub/ted/2022/consumer-price-index-unchanged-over-the-month-up-8-5-percent-over-the-year-in-july-2022.htm>.

² Swanson, Erik. Kaufman Hall. (August 29, 2022). *National Hospital Flash Report – Aug. 2022* https://www.kaufmanhall.com/sites/default/files/2022-09/KH-NHFR-2022-08_FINAL_9.2.22.pdf

IPPS Final Rule does not reflect the substantial cost increases across staffing, transportation, and purchased services. Further, while the Outpatient Perspective Payment System (OPPS) for CY 2023 has not been finalized, the proposed market basket (3.1 percent) and payment rate update (2.7 percent) is expected to fall short of increased cost pressures and fails to fully account for the current inflationary environment.

Many hospitals – particularly small, independent, and rural hospitals – will face significant financial consequences that could lead to closures and loss of access for patients. **Vizient urges Congress to consider additional financial support for hospitals, particularly as related to the OPPS and IPPS rules, to accurately adjust for increased costs and prevent significant financial harm to the healthcare system.**

Medicare Physician Reimbursement

Like the hospital payment system rules, the looming Medicare physician payment reductions under the Physician Fee Schedule (PFS) for CY 2023 will further exacerbate the strain placed on healthcare providers. While not yet finalized, the proposed PFS would reduce the conversion factor by more than 4.4 percent – \$33.08 conversion factor down from \$34.61 in CY 2022. The reduction is due largely to the expiration of the 3 percent temporary payment enhancements made available in the *Protecting Medicare and American Farmers from Sequester Cuts Act* for CY 2022. Notably, reductions in physician payment have long been occurring. According to an analysis by the American Medical Association examining Medicare Trustees data, Medicare physician payment has been reduced by 20 percent from 2001–2021 when adjusted for inflation – while practice expenses have increased 39 percent (or 1.6 percent per year) during that time.³

Without congressional intervention, CMS has limited tools available to mitigate these looming payment cuts and will likely finalize the proposed payment reduction in the coming months. Allowing such cuts to take effect will further exacerbate staffing challenges and have a profound and negative impact on the provider workforce in our country. **Vizient urges Congress to act quickly to mitigate or prevent these cuts from taking effect. Vizient has offered support for the *Supporting Medicare Providers Act of 2022 (H.R. 8800)* which would mitigate the damaging proposed payment reductions from taking place by providing a temporary payment increase in CY 2023. Further, Congress should consider long-term legislative solutions to refine the current Medicare physician payment system to better reflect the challenges of the existing environment and to ensure a more sustainable and predictable reimbursement system.**

Medicare Sequestration

Despite the significant impact of increasing costs and other looming payment reductions, arbitrary Medicare payment cuts through sequestration were allowed to resume, with the full 2% reduction taking effect on July 1. The resumption of these payment reductions is incredibly damaging at a time when providers are already facing increasing costs. **Vizient strongly encourages Congress to permanently suspend these needless payment reductions, or, at a minimum, act to suspend these cuts until at least the end of the declared COVID-19 Public Health Emergency (PHE).** By ending or suspending these reimbursement reductions Congress would provide some measure of relief that is badly needed in the current financial environment.

³ American Medical Association: <https://www.ama-assn.org/system/files/ama-medicare-gaps-chart-grassroots-insert.pdf>; <https://www.ama-assn.org/system/files/ama-medicare-reform-grassroots-insert.pdf>

Supporting the Drive Towards Value

The efforts to transition the healthcare system away from fee-for-service medicine and toward accountable, value-based care have been significantly impacted during the COVID-19 pandemic. While many quality and delivery system reforms were paused or substantially altered to account for the impact of COVID-19, it is important that such efforts continue to provide incentives and opportunities for continued participation and expansion.

Additionally, under the *Medicare and CHIP Reauthorization Act (MACRA)*, Qualifying Participants (QPs) in Advanced Alternative Payment Models (APMs) have been eligible to receive a 5 percent incentive bonus to encourage QPs participation in such models. However, this bonus will expire at the end of 2022 if Congress does not act. Without the Advanced APM bonus payments continuing, many providers will lose an important incentive to participate in models associated with higher risk. While Vizient has concerns about how broadly applicable certain models may be and the threat of downside risk, we believe it is important for these models to continue to develop – and as such, it is critical that advanced APM bonus payments continue. **Vizient encourages Congress to act quickly to preserve these important incentives and make other improvements to support alternative payment models by passing the bipartisan *Value in Health Care Act of 2021 (H.R. 4587)*.**

Strengthening the Healthcare Workforce

Over the last several years, maintaining and supporting the healthcare workforce has been a persistent challenge for hospitals. Clinical professionals were severely stretched in responding to multiple waves of the COVID-19 pandemic. In addition, many health care professionals opted to retire or pursue career options outside of direct hospital employment, including joining travel nursing agencies. Further, hospitals have been impacted by workforce challenges for their non-clinical employees, like other sectors of the economy have faced. In response, hospitals have increased salaries and benefits, offered more flexible working arrangements and provided additional incentives to maintain existing staff. Despite these efforts, hospitals are increasingly reliant on temporary travel nursing personnel.

Vizient appreciates the steps Congress has taken in recent years to address staffing-related issues. We applaud the inclusion of 1,000 new Graduate Medical Education (GME) slots in the *Consolidated Appropriations Act of 2021*. We also appreciate the passage of the *Dr. Lorna Breen Provider Protection Act*, which bolsters resources available to support clinical workforce resilience and mental health. Both actions were critically important, but more needs to be done to address the safety of healthcare workers, examine the actions of travel nursing staffing agencies and further invest in the immediate staffing needs for hospitals and the long-term future of the healthcare workforce.

Addressing Workplace Violence

Healthcare workers are facing growing threats of violence in recent years. While hospitals have taken significant steps to provide for greater security for their workers, threats and physical violence still occur far too regularly. **Vizient is proud to endorse the *Safety from Violence for Healthcare Employees (SAVE) Act (H.R. 7961)*, which would increase penalties for threats and physical violence towards healthcare workers and provide resources to further improve hospital security – and urges Congress to pass this legislation this year.**

Examining Staffing Agency Practices During the COVID-19 Pandemic

Temporary staffing agencies and travel nursing companies are an essential partner for hospitals and health systems; however, during the COVID-19 pandemic, providers reported significant increases in the hourly cost to utilize these services. In fact, in many cases, rates were 2-3 times higher than they were before the pandemic, with much of those increases being allocated towards agency profits. The continued reliance on temporary staff and traveling nurses is unsustainable at these enhanced rates, particularly for smaller rural and underserved hospitals. **Vizient encourages Congress to consider adopting the *Travel Nursing Agency Transparency Study Act (S. 4352)* to require the Comptroller General to examine nursing travel agency practices during the pandemic and the ongoing impact of such practices on the healthcare system.**

Investing in Immediate and Future Workforce Needs

The COVID-19 pandemic and ongoing financial strain facing providers has further highlighted the significant gaps in the healthcare workforce. While both temporary workers and travel nurses are important and necessary parts of the healthcare system, Congress must act to increase the number of healthcare professionals available to meet patient needs. To respond to the immediate and future healthcare staffing needs, **Vizient supports and urges Congress to approve the following legislation:**

- ***Healthcare Workforce Resilience Act (S. 1024/H.R. 2255)*, which would expand access to unused visas for essential medical professionals to ensure skilled professionals are able to help meet the workforce needs of America's health systems;**
- ***Resident Physician Workforce Shortage Reduction Act of 2021 (S. 834/H.R. 2256)*, which would make the necessary long-term investment in expanding our physician workforce by adding an additional 14,000 GME slots over seven years; and**
- ***Opioid Workforce Act (S. 1438/H.R. 3441)*, which would add an additional 1,000 GME slots for hospitals that have established approved programs in addiction medicine, addiction psychiatry or pain medicine.**

Addressing Expiring Policies

In addition to the ongoing financial and staffing crises facing healthcare providers across the country, long-term certainty for strategic and financial planning is also vital to ensure the continued health of our healthcare system. Over the last several years, healthcare providers were able to quickly adapt to uncertain circumstances and deliver innovative, high-quality care through new delivery modalities, including telehealth. While these rapid adjustments were made possible by quick action from CMS and Congress to grant new flexibilities, many of those options will expire when the declared PHE comes to an end, or shortly thereafter. While Vizient and many other healthcare stakeholders anticipate that the current PHE will continue into January or further, the lack of certainty for these new flexibilities in the system is clouding long-term strategic and financial decision-making.

Telehealth

Telehealth provides the clearest example of where long-term certainty for providers and patients is essential. Notably, Congress has provided additional flexibility by extending many of the telehealth policies and waivers granted during the COVID-19 pandemic for at least 151-days following the end of the PHE. In addition, CMS has expanded the number of telehealth services that may be covered and continues to explore ways to maintain access to care after the PHE. However, these temporary actions do not create a level of certainty that would allow healthcare providers to plan

for investments that continue, enhance, or scale their telehealth offerings, which are of clear benefit to patients.

There is consistent, bipartisan support for making permanent many of the flexibilities extended during the pandemic, particularly related to removing the geographic and originating site restrictions and ensuring adequate reimbursement appropriate for the level of service received regardless of whether it was done through telehealth (including via audio-only or audio-visual telehealth services) or in-person. **Vizient is proud to endorse the *CONNECT for Health Act (S.1512/H.R. 2903)* that would make permanent many of these needed flexibilities. We further support the *Advancing Telehealth Beyond COVID-19 Act of 2021 (H.R. 4040)*, which has already been approved in the House and would extend telehealth flexibilities granted during the pandemic through 2024.**

Acute Hospital Care at Home

Another important innovation that will expire with the conclusion of the COVID-19 PHE is the Acute Hospital Care at Home program, which allows for inpatient-level care to be delivered in the patient's home when deemed safe and appropriate. Studies have shown that hospital-at-home models can lower costs⁴, reduce readmissions and improve outcomes while maintaining high patient satisfaction scores⁵. **Vizient believes that Acute Hospital Care at Home should continue and encourages Congress to pass the *Hospital Inpatient Services Modernization Act (S. 3792/H.R. 7053)* which would extend the program for two years and allow further examination of its effectiveness, safety, outcomes and impact on utilization.**

Critical Medicare Programs and Adjustments

Vizient's provider members range from large health systems and leading academic medical centers to small community hospitals, critical access hospitals and other rural health care providers. Vizient believes supporting and maintaining a meaningful healthcare network in rural communities is vital and, as such, urges Congress to continue working to support small rural and other Medicare-dependent providers to ensure care is available. While Congress has regularly extended programs critical to rural healthcare providers, like the Medicare Dependent Hospital program and Medicare enhanced Low-volume adjustment, these programs will lapse at the end of the federal fiscal year unless Congress takes action. **Vizient urges Congress to act now to prevent any unnecessary disruption to these critical programs and pass the *Assistance for Rural Communities and Hospitals (ARCH) Act (H.R. 8747)* which would extend both programs for an additional five years.**

Food and Drug Administration User Fees

Vizient also urges Congress to quickly reauthorize the Food and Drug Administration (FDA) User Fee Amendments which expire at the end of September 2022. If action is not taken, the FDA will be forced to furlough employees, which will have significant negative impacts on the professionals

⁴ Mooney, Kathi; Karen Tichener; Benjamin Haaland; Lorinda Coombs; Brock O'Neil; Richard Nelson; Jordan McPherson; Anne Kirchhoff; Anna Beck; and John Ward (2021). Evaluation of Oncology Hospital at Home: Unplanned Health Care Utilization and Costs in the Huntsman at Home Real-World Trial. *Journal of Clinical Oncology*39(23), 2586-2598. <https://ascopubs.org/doi/abs/10.1200/JCO.20.03609>

⁵ Federman, Alex; Tacara Soones, Linda DeCherrie, Bruce Leff, and Albert Siu (2018). Association of a Bundled Hospital-at-Home and 30-Day Postacute Transitional Care Program With Clinical Outcomes and patient Experiences. *JAMA Intern Med.*, 178(8), 1033-1040. <https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2685092>

within the FDA and potentially result in delays in the approval of safe and effective prescription drugs, medical devices, biosimilars and generic drugs – further exacerbating supply chain challenges.

Additionally, Vizient encourages Congress to bolster supply chain resilience by requiring greater supply chain transparency from drug and device manufacturers so that stakeholders can more easily identify and mitigate potential shortages. Earlier this year, Vizient [called for](#) adopting provisions to increase transparency in the supply chain, and we continue to support adoption of such provisions in the final user fee legislation. While the House and Senate Health, Education, Labor and Pensions Committee have approved different versions of the legislation, we urge the leading negotiators to quickly resolve their differences and approve the legislation expeditiously.

Unnecessary Administrative Burdens

Finally, Congress should take action to reduce administrative burdens that hinder patient access to care. Vizient has [raised concerns](#) about the over-reliance on prior authorization from Medicare Advantage plans, which often delays necessary care and increases administrative burdens. For example, in a 2021 survey by the American Medical Association, 88 percent of physicians reported that prior authorization interfered with continuity of care.⁶ To address some of those challenges, **Vizient supports passage of the *Improving Seniors' Timely Access to Care Act (S. 3018/ H.R. 3173)*, which would take logical steps to streamline the prior authorization process and improve patient access to care.**

Conclusion

Thank you for your continued leadership and ongoing support for America's healthcare providers. The last several years have presented historic challenges for health care providers, but with the support of Congress, our members have been able to persevere and maintain a high level of service for patients across the country. In that spirit, we urge Congress to act now to ensure hospitals and healthcare systems can maintain access to care and improve performance in the years ahead.

Thank you again, and please do not hesitate to contact me at shoshana.krilow@vizientinc.com or 202-354-2607 if you have any questions about Vizient or we can be of assistance as the 117th Congress comes to a close over the coming months.

Sincerely,



Shoshana Krilow
Senior Vice President, Public Policy & Government Relations

⁶ American Medical Association, *Prior Authorization Physician Survey, 2021 Update* <https://www.ama-assn.org/system/files/prior-authorization-reform-progress-update.pdf>