

- Hoosiers across the state are at **risk of losing access to care**, especially in rural areas.
 - In 2023, Indiana hospitals operated on a cumulative **0.9% operating margin** and lagged the national average of 2.3%. Hospital operating expenses in Indiana also exceeded national growth during this time. **Such financial conditions are unsustainable** to maintain access to needed services.
 - **Indiana has seen the closure of 13 birthing units** across the state in just the past five years – with 9 of those occurring within the past 2 years – and similar trends are expected to continue.
- **Indiana has not increased Medicaid base rates for hospitals in over 30 years**, leading to hospitals being reimbursed only 57 cents on the dollar on average for every Medicaid patient they serve, which includes both base Medicaid payments by the state and the Medicaid payments funded by Indiana's Hospital Assessment Fee (HAF) paid by Indiana hospitals.
 - The **HAF program is an assessment paid by Indiana hospitals to leverage federal funds to increase Medicaid reimbursement**. The HAF program also helps fund the entirety of the Healthy Indiana Plan for Hoosier citizens, alongside a portion of the cigarette tax.
 - Indiana hospitals pay the state approximately \$1.5 billion in fees annually to fund the HAF program.
- Even with this enhanced reimbursement, **hospitals face \$2.7 billion in unpaid health care costs each year** due to Indiana's low Medicaid rates, which rank 12th lowest in the nation.
 - **Medicare also reimburses below cost at 82 cents on the dollar** on average, and notably, 70% of inpatient days at two-thirds of Indiana hospitals are paid by either Medicaid or Medicare each year. No other business would be able to operate with a majority of customers paying far below cost.
- Modernizing the HAF program will allow hospitals to be assessed up to the federally allowable maximum to **increase the overall benefit of the HAF while tying Medicaid reimbursement to quality** based on metrics that are linked to the state's Medicaid quality strategy.
- Through this program, **the funding follows the patient**, meaning that hospitals receive Medicaid funds based on their share of the patients the funding is intended to help.
- Enhanced Medicaid reimbursement will **decrease the reliance of hospitals on higher reimbursement from employer-sponsored health plans** and support sustainable financial performance, especially in our rural hospitals.
- The General Assembly can **protect access to care, improve quality, and start to address the cost shifting paradigm** at no cost to the state under this proposal. **Indiana's hospitals will continue to provide the matching funds as a responsible reinvestment** to leverage the additional federal funds.
 - **No new state funds would be needed** to modernize the HAF program.
 - **38 other states, Washington, D.C., and Puerto Rico have already enacted this type of program** to help increase reimbursement. **If lawmakers do not act, Indiana will continue to leave our Hoosier tax dollars on the table, putting ourselves at a competitive disadvantage to other states.**

- In addition, updates to the program will allow Indiana hospitals to move away from reliance on [Medicaid Disproportionate Share Hospital \(DSH\) payments](#), the future of which remain uncertain due to federal cuts.
- Modernizing the HAF program also includes eliminating or significantly reducing the administrative fee hospitals pay to FSSA, which is statutorily set at 28.5%. [This administrative fee recently totaled \\$300 million](#) in SFY 2024, and Indiana hospitals have paid \$2.8 billion in administrative fees since the inception of the HAF without known benefits to Indiana's Medicaid program.
 - [For every \\$1 reduction in the HAF administrative fee, Medicaid reimbursement could be increased by \\$3](#) to ensure dollars are staying in the Medicaid program as intended.
 - After leveraging the federally allowable maximum and eliminating the state's HAF administrative fee, Indiana's Medicaid reimbursement is [expected to cover around 80% of cost](#).
 - [Indiana hospitals look forward to working with the State of Indiana on ways to eliminate or significantly reduce the administrative fee.](#)