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# A Much-Needed Boost for Florida's Hospitals

By Mary Mayhew

Just before the end of 2022, Congress passed and the President signed an omnibus budget bill to fund government operations through the end of September. The legislation includes a number of much-needed policies to support and advance the health care system, beleaguered after nearly three years of the pandemic. The legislation:

- Waives the statutory Pay-As-You-Go (PAYGO) Medicare 4% sequester for two years;
- Extends the low-volume and Medicare-dependent hospital

programs;

- Creates 200 new Medicare-funded GME slots, beginning in 2026;
- Extends the Acute Hospital Care at Home waiver for two years;
- Extends the public health emergency telehealth waivers, including coverage and payment for audio-only telehealth services, for two years; and
- Reduces the Medicare physician fee schedule cut from 4.5% to 2% for 2023 and 3% for 2024.

The legislation acknowledges the successes of innovations spurred by the pandemic, including the hospital-at-home program and telehealth waivers. The telehealth waiver, for example, led to exponential growth in the number of Medicare beneficiaries using telehealth services. Prior to the pandemic, just 1% of Medicare beneficiaries used telehealth services. During the first year of the pandemic, more than 28 million Medicare beneficiaries used them, including almost half of Medicare Advantage enrollees and 38% of beneficiaries in traditional Medicare. With this legislation, Medicare enrollees will be able to continue to access needed physical and behavioral health care services from anywhere and even without an Internet connection.

The legislation also recognizes the need for financial relief for hospitals. Nationally, hospital margins were negative for every month in 2022, according to Kaufman Hall. As of the end of November 2022, median operating margins were down 44% compared with the same time period in 2021. Waiving the Medicare sequester for two years and extending the low-volume and Medicare-dependent hospital programs both are key to stabilizing hospital finances amid skyrocketing costs for labor, drugs, supplies, and equipment; increasing costs associated with regulatory and managed care requirements; and stagnating or even decreasing payments from payers. The 4% sequester would cost Florida hospitals about \$500 million

annually. Eliminating the low-volume and Medicare-dependent programs would cost more than \$5 million a year for Florida safety net hospitals.

Finally, the legislation provides welcome support to increase the number of physicians. Florida is a growing state. Between 2021 and 2022, no state grew at a faster rate than Florida. Having enough physicians to care for this growing population is a challenge, and the state faces a projected shortage of 18,000 physicians by 2035. Despite the shortage, however, hospitals are constrained in their ability to add more residency slots to train more doctors because the number of Medicare-funded GME residency slots/positions for each hospital is “capped” or limited by federal law. With the addition of 200 Medicare GME-funded residency slots, 100 of which are dedicated to psychiatry residencies, the omnibus budget bill will support hospitals in their work to train more physicians, so they stay and practice in the state after completing training. These 200 slots are nationwide and not guaranteed for Florida. But, although it is funding only a fraction of the number of residencies needed to solve the physician shortage, the omnibus bill is an important acknowledgment of the critical need for more physicians, particularly psychiatrists.

The omnibus budget package sends a strong statement of support for Florida’s hospitals and the essential work they do in communities across the state. It’s meaningful recognition of the sacrifices of the last three years as well as the innovations and is a step in the right direction to help hospitals create healthier communities and advance health care for all.

*Mary Mayhew is President and CEO, Florida Hospital Association.*

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