

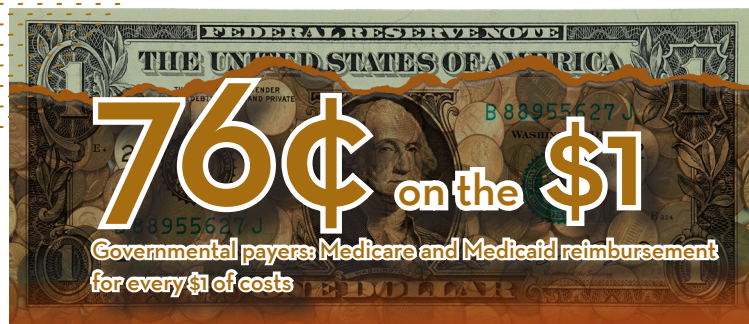
Medicare reimbursements fall short of costs

The cost-for-care gap that exists before care begins

Historically, Medicare reimbursement rates have fallen short of covering the actual cost-for-care for hospital services. This chronic underpayment is taking a toll on providers across the country, leading to tighter margins, increased funding disparities and greater financial instability in the health care industry.

What is underpayment

Underpayment is the difference between the cost incurred for services and the amount received from Medicare for reimbursement. Nationally, Medicare reimbursed hospitals at **83¢ to the dollar** in 2024, show recent numbers from the American Hospital Association (AHA), resulting in **\$100 billion** in underpayments.



At Asante, reimbursements are even lower, at 76% for governmental payers, where Medicare is 79% and Medicaid is 67% in FY25. Self-pay covers 14% of costs.

Strain from years of disparity is becoming more acute as an increasing proportion of the payer mix comes from governmental payers.

Medicare dominance in payer mix deepens financial gaps



Payer mix is the distribution of a health care provider's patient funding sources. Rural areas typically experience a less diverse payer mix than their urban counterparts. Over recent years, payment sources have further narrowed to the lowest commercial payers in Asante's history.



1% Self-pay

8% Other



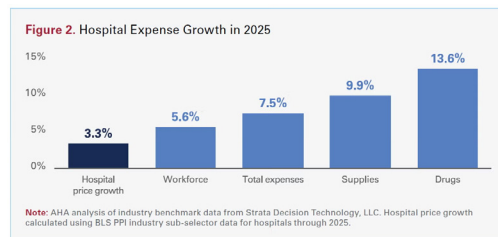
14% Commercial

77% Medicare and Medicaid

January 2026

The cumulative cost across health care

Across the country, hospitals face a necessity to subsidize shortfalls and other similar consequences due to Medicare underpayment. The cost for care is outpacing inflation. Last year, **hospital expenses grew twice as fast as prices**, according to AHA. Medicare fee schedule reductions, rising operational costs, legislative cuts and increasing regulation are compounding stress, directly affecting the ability to provide affordable care and grow access to services. The current trajectory is quickly becoming unsustainable. Understanding these headwinds can help identify opportunities to protect our care and services in southern Oregon.



Cost for Caring, American Hospital Association