



March 5, 2026

Dear Senator Townsend,

DHA has significant concerns with SB 1, the “Primary Care Reform” bill, and strongly opposes the legislation in its current form. As it is currently written, SB 1 poses a serious threat to healthcare access, quality, and our healthcare workforce.

We are already facing significant healthcare cuts from the federal government and we implore you not to inflict additional state-level cuts that risk hospital resources and critical healthcare jobs.

Instead, DHA respectfully requests the advancement of a two-year extension of the existing primary care law as recommended by the Primary Care Reform Collaborative in an October 27, 2025 vote, which you voted to support (see the attached meeting minutes from the October 2025 PCRC meeting).

DHA submits the following concerns for your consideration and looks forward to continuing to meet with you and members of the General Assembly to discuss these important issues.

- 1. DHA has major concerns that this new primary care bill runs counter to the recommendations made by the Primary Care Reform Collaborative and the robust stakeholder process to enact at least a two-year extension of the law while we work with the state to explore the federal AHEAD model and other enhanced value-based care initiatives.** Value-based care is how we can work together to address affordability while not sacrificing quality and access in our uniquely growing and aging state. DHA is actively exploring the AHEAD model and other new value-based care models and has hired a consultant to assist us with this process. Instead of moving forward with the two-year extension, SB 1 would not only extend the original law but also expand it to Medicaid and the State Employee Population while adding a completely new cost-containment provision from the original HB 350 that would be devastating for our hospitals. There was broad consensus among the PCRC representatives that the current law is not working. Doubling down on a failed approach and expanding it to other populations does not make sense.
- 2. The 250% of Medicare reference-based pricing provision from the original HB 350 is a nonstarter for the stability of our healthcare system.** The bill adds a cost-containment provision not found in the existing law that would be devastating for Delaware hospitals -- especially as hospitals already face imminent federal Medicaid cuts.

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This provision is similar to the widely opposed provision from the original HB 350 that would have implemented a 250% of Medicare reference-based pricing cap. Medicare pays significantly below the cost of care, so tying reimbursement to Medicare rates results in a hospital financial resources cut. Hospital budgets are spent on employing their healthcare workforce. During HB 350, the data showed us that the 250% reference-based pricing provision in Delaware would cut \$360 million from our hospitals, which translated to as many as 4,000 healthcare jobs across the state. That's why legislators chose not to advance this harmful provision. SB 1 revives this dangerous reference-based pricing provision and applies it to the fully insured population and the State Employee Plan population, conservatively resulting in a \$165 million cut to Delaware hospitals across the state and potentially impacting as many as 1,500 healthcare jobs. However, insurance market shifts could cause more plans to become fully insured, which could balloon these estimates beyond the original \$360 million.

Delaware is now the fifth-oldest state and sixth-fastest growing state in the nation. We need more healthcare workers to keep up with our growing and aging state, not fewer. Delaware hospitals already provide over 30,000 healthcare jobs, including 500 primary care providers in the First State. They invest significant resources in – and in fact lose millions of dollars annually – to recruit, maintain and support primary care service providers that in many cases would not exist in many geographic areas absent health system support. Reimbursement for primary care does not keep pace with the salaries and support that hospitals and health systems provide to employed primary care providers. As a result, Delaware hospitals and health systems lose more than \$70 million annually in supporting primary care in Delaware. We are also investing in bringing more primary care providers to Delaware through Delaware hospitals' Graduate Medical Education programs, which comes with significant financial investment from our hospitals. These programs have brought nearly 200 new primary care physicians to practice in Delaware in the last five years. We need to grow these programs, not limit hospitals' ability to afford to keep them. Tying reimbursement for Medicare rates would limit hospital resources available to invest in primary care, which runs counter to the goal of this legislation.

The General Assembly just passed SB 213 in January and the Diamond State Hospital Cost Review Board is now up and running. That is a major healthcare policy now being implemented with unprecedented transparency in hospital costs and holding hospitals accountable to the state's healthcare spending benchmark. The Diamond State Hospital Cost Review Board has been put in place to review hospital finances, cost drivers, require compliance with the healthcare spending benchmark, and incentivize value-based care to



enhance healthcare affordability. The board will have the ability to ensure that hospital spending is being appropriately applied to quality, access, value, and charity care. This legislation essentially renders that process and progress moot by establishing a price control that will not make concessions for the growing needs of our state, including our doctors and nurses, and our growing primary care needs.

Finally, it's important to note that the cost containment in this legislation is only geared toward hospitals, leaving other healthcare cost drivers unchecked. For example, drug costs are rising faster than other healthcare sectors, but they are untouched by this legislation.

- 3. The bill gives unprecedented new authority to the Office of Value Based Health Care Delivery and the State Employee Benefits Committee without the input of healthcare experts.** The bill grants new regulatory authority to the Department of Insurance's Office of Value Based Health Care Delivery over designs of value-based care programs and removes language in the original law that would have required the Delaware Health Care Commission and the PCRC to be part of the approval of value-based care designs. Health insurance is an important component of the healthcare system, but it is not the only perspective from which regulations should be developed to guide value-based healthcare in Delaware. In addition, SB 1 ties reimbursement for healthcare providers to Medicare rates but there are no corresponding Medicare rates for all healthcare services, such as pediatrics and labor & delivery. SB 1 authorizes the State Employee Benefits Committee (SEBC) to set healthcare rates in these cases, which is extremely concerning and a similar approach to the original HB 350.

We appreciate your attention to our concerns. DHA respectfully requests the opportunity to work together instead on an extension of the existing law while we continue the work on value-based care and improving healthcare affordability, consistent with the approach you supported in the Fall. Let us continue doing the work needed to achieve our shared goals.

Thank you.

A handwritten signature in black ink that reads 'Brian Frazee'.

Brian Frazee
President & CEO
Delaware Healthcare Association