AMERICA'S ESSENTIAL HOSPITALS

September 2, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Room H-305, The Capitol
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
United States Senate Room
S-221, The Capitol
Washington, DC 20510

Dear Speaker Pelosi and Majority Leader Schumer:

On behalf of our more than 300 member hospitals and health systems, America's Essential Hospitals thanks you for your commitment to improving the foundation of our nation's health care infrastructure, including through expanding access to health coverage. We also share your goal of addressing health equity and rooting out systemic disparities in our health care system.

As you work to develop the budget reconciliation package and additional legislative vehicles before the end of the year, we respectfully ask you to consider these essential hospital priorities:

- provide emergency funding to mitigate critical workforce shortages;
- protect the 340B Drug Pricing Program benefit from harmful policy changes;
- invest in essential hospital infrastructure and emergency preparedness; and
- avoid Medicaid reimbursement cuts to hospitals serving a safety net role.

Essential hospitals are united in their mission to provide care to all people, regardless of social, financial, or health status. Our hospitals serve communities where 23.3 million people live below the federal poverty line, 9.7 million have limited access to nutritious food, and 360,000 experience homelessness. Three-quarters of essential hospitals' patients are uninsured or covered by Medicaid or Medicare, and people of color make up more than half of our discharges. Without our members' commitment to these patients, many would have nowhere to turn for critical health care needs. This mission-driven role often leads to strained finances—their operating margins are one-third that of the average U.S. hospital.

1. Prioritize emergency supplemental funding to support essential workforce needs.

COVID-19 has compounded the financial strain on essential hospitals, particularly on recruiting and maintaining a strong and critical workforce. The public health crisis hit the patients and communities served by essential hospitals particularly hard, especially people of color and those with underlying health conditions. Our member hospitals serve a disproportionate number of people facing social risk factors and existing health issues, putting their patients most at risk of becoming infected with the SARS-CoV-2 virus.

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Essential hospitals have borne the brunt pandemic-related hospitalizations over the past 18 months and have incurred considerable costs in hiring and maintaining staff to respond to the continued spread of the virus. The ongoing pressures of the pandemic have led to staff burnout and required essential hospitals to expend significant resources to recruit and retain medical staff—a costly undertaking considering the competitive marketplace for health care workers. Due to understaffing, essential hospitals are experiencing increased costs associated with hiring bonuses, retention bonuses, and higher salaries to recruit and retain nurses in short supply.

Staffing challenges at essential hospitals are exacerbated by unsustainable increases in hospital admissions associated with the highly contagious delta variant, with intensive care units (ICUs) approaching or exceeding full occupancy. Shortages of health care staff, particularly nurses, and the greater costs associated with hiring and retaining practitioners compounds the financial stress on our member hospitals. Some essential hospitals have hundreds of nursing vacancies; earlier this month, one essential hospital in Florida estimated close to 700 vacancies. Given the high demand, our members are competing with other hospitals to recruit nurses, even on short-term contracts. In some cases, nurse staffing shortages are affecting access to care. An essential hospital in Texas recently declared an "internal disaster" after a shortage of nurses forced the hospital to take six of its ICU beds offline and temporarily stop admitting patients.

We call on congressional lawmakers to exercise oversight of the Health Resources and Services Administration. We also urge Congress to ensure the administration swiftly disperses remaining COVID-19 Provider Relief Fund dollars and issues a targeted allocation to hospitals that serve people of color and low-income populations.

Under no circumstances should the Provider Relief Fund be used to offset the cost of future legislation. In addition, Congress should establish an emergency funding pathway to address the essential workforce needs of hospitals and other providers during public health emergencies.

2. Lower prescription drugs for patients while protecting the 340B program.

America's Essential Hospitals shares Congress' concern with unsustainable increases in drug prices. We agree Americans are paying too much for prescription drugs. When developing legislation to reduce prescription drug prices, we urge lawmakers to carefully consider how proposed policy changes could impact essential hospitals and the nation's health care safety net.

Essential hospitals work diligently to care for patients who face financial hardships and social and economic factors that contribute to poor health. These efforts are rarely reimbursed. Because Congress understood this and the value provided by essential hospitals, lawmakers created several important programs, including 340B, to help support their safety net mission.

Today, the 340B program supports essential hospitals as Congress intended; it is precisely the type of program that insulates providers and patients from runaway drug prices. Hospitals, patients, and other stakeholders realize these benefits at no expense to taxpayers—the lower prices hospitals receive on covered outpatient drugs through the 340B program are a result of discounts provided by drug manufacturers. The 340B benefit allows our member hospitals to provide a variety of comprehensive services for low-income patients consistent with their mission-driven role. Congress must protect the integrity of the 340B program from unintended downstream impacts related to changes to supply chain or drug pricing policy.

Drug pricing reform must recognize potential ramifications on existing safety net supports for essential hospitals. Lawmakers must consider how proposed drug pricing policies would interact with the 340B program and ensure those policies would not undermine the benefit of this critical lifeline, especially as essential hospitals continue to respond to the challenges presented by COVID-19.

We ask Congress to reject policies that would require Medicaid managed care plans to pay for outpatient drugs at actual acquisition cost. Such a policy would drastically reduce 340B savings for some providers in the program. If, however, drug pricing reforms ultimately *do* reduce the value of the 340B savings to essential hospitals, it will be critical to issue another form of funding to ensure our members can continue to innovate and respond to the unique care challenges and needs of marginalized populations.

3. Invest in modernizing and rebuilding essential hospital infrastructure.

Essential hospitals face significant financial challenges due to the disparity between payments for commercially insured patients and those covered by public programs, or not covered at all. This leaves minimal resources for essential hospitals to invest in system modernization and refurbishment of aging facilities.

Essential hospitals hold critical public health and emergency response functions on which communities rely during times of crisis. In normal times, many of our member hospitals struggle to piece together a patchwork of local, state, and federal resources to maintain their infrastructure. COVID-19 exposed the barriers of aging hospital infrastructure when serving patients and communities during a public health emergency. Many essential hospitals treated patients in numbers far greater than their facilities were designed to support. The number of critical patients hospitalized with SARS-CoV-2 virus exceeded ICU capacity, and several of our hospitals resorted to adding beds to on-campus spaces not designated for patient care.

Dedicated federal funding is necessary to help health care safety net infrastructure recover from the COVID-19 pandemic and to ensure preparedness for future public health emergencies. **We urge Congress to re-establish the Hill-Burton program and allocate $50 billion over five years to support the infrastructure and emergency preparedness needs of essential providers.**

4. Correct unintended Medicaid payment cuts to essential hospitals.

Section 203 of the Consolidated Appropriations Act of 2021 altered the definition of Medicaid shortfall. Specifically, the new law modified the uncompensated care adjustment for Medicaid disproportionate share hospital (DSH) payments to only count costs and payments for patients for whom Medicaid is the primary payer or who are uninsured. It includes a limited exemption for certain hospitals that, in the most recent cost reporting year, are in the 97th percentile of hospitals for the number of inpatient days for Medicare patients also eligible for supplemental security income benefits, or the percentage of total inpatient days for Medicare patients also eligible for such benefits. For these hospitals, the limit is the greater of the DSH cap calculation established by section 203 or the formula under the law as in effect January 1, 2020.

An unintended consequence of section 203 impacts essential hospitals with high numbers of patients dually eligible for Medicare and Medicaid. These hospitals might be disproportionately

and substantially penalized by the new Medicaid shortfall definition, with a lower hospital-specific cap resulting in a cut to their DSH payments.

Congress has acted several times on a bipartisan basis to block cuts to Medicaid DSH payments. **America's Essential Hospitals urges Congress to mitigate the unintended impact of the new law by approving a technical fix in legislation before the end of the calendar year that would expand the pool of hospitals eligible for a DSH cap equal to the higher of the new shortfall definition or the previous definition.**

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The health of people and communities across the nation is only as strong as the investments we make in our workforce to better increase access to high-quality, affordable care for all. Millions of people rely on essential hospitals for exceptional care, jobs and economic activity, and front-line leadership in times of greatest need. Our communities depend on essential hospitals to provide specialized, lifesaving services; train the health care workforce; advance public health and health equity; and coordinate care.

The association thanks Congress for its commitment to addressing health care infrastructure needs. We look forward to working with lawmakers in both chambers to strengthen the safety net infrastructure now and for generations to come.

If you have any questions, please contact Vice President of Legislative Affairs Carlos Jackson at 202-585-0112 or cjackson@essentialhospitals.org.

Sincerely,

Bruce Siegel, MD, MPH
President and CEO

CC:
The Honorable Patty Murray
The Honorable Richard Neal
The Honorable Frank Pallone
The Honorable Ron Wyden