ESSENTIAL HOSPITAL DESIGNATION

Essential hospitals fill a safety net role and share a mission to care for all people, including the uninsured, low-income patients, and other marginalized groups. They are providers of choice for people who face social and financial barriers to care and for communities with significant health care needs and access challenges.

Essential hospitals provide more than seven times as much uncompensated care as other hospitals (Figure 1), and three-quarters of their patients are uninsured or covered by Medicaid or Medicare (Figure 2). Essential hospitals’ small share of commercially insured patients and historically underfunded mission jeopardize their ability to maintain and expand the vital services they provide.

This proposal would codify essential hospitals in statute, allowing lawmakers to better target support to improve access to care and public health. Such a designation is needed, as no statutory definition exists for hospitals that fill the vital community role or offer the breadth of services (Figures 3 and 4, page 2) that characterize essential hospitals, including:

- providing specialized, lifesaving services, such as level I trauma and neonatal intensive care, emergency psychiatric services, and burn treatment;
- training health care professionals to meet community demand for physicians, nurses, and other caregivers;
- delivering comprehensive, coordinated care across large ambulatory networks;
- meeting public health needs by improving population health and preparing for and responding to natural disasters and other crises; and
- advancing health equity to meet the needs and challenges of patients who face the greatest disparities and barriers to receiving quality care.

Figure 1: Average Uncompensated Care
Members of America’s Essential Hospitals, 2020

Figure 2: Inpatient and Outpatient Utilization by Payer Mix
Members of America’s Essential Hospitals, 2020

PRECEDENT
Congress has acted multiple times to identify hospitals with unique characteristics or those serving specific populations or regions—for example, Prospective Payment...
System—Exempt Cancer Hospitals (PCHs), sole community hospitals, and Critical Access Hospitals (CAHs). In each case, policymakers recognized the need to formally codify defining criteria and policy incentives to stabilize and protect these important providers within the larger health care ecosystem. Today, essential hospitals lack similar and crucial benefits and protections.

The defining features of essential hospitals—their mission and the patients and communities they serve—are best captured by these measures:

- **Disproportionate patient percentage (DPP):** captures a hospital’s portion of Medicaid and low-income Medicare patients

- **Deemed disproportionate share hospital (DSH) status:** highlights a commitment to serving a high percentage of Medicaid and low-income patients and accounts for differences in Medicaid among states

- **Medicare uncompensated care payment factor (UCPF):** identifies the relative amount of uncompensated care provided and can help capture the costs of care delivered to uninsured individuals

Lawmakers could use an essential hospital designation to target public policy initiatives and funding in several ways, including but not limited to:

**Public Health**
- Ability to quickly target resources, such as vaccines, therapeutics, and funding during public health emergencies, to hospitals serving the nation’s most underrepresented populations

**Targeted Funding**
- New funding streams appropriated by Congress to support the safety net
- Grant funding to support key needs, such as workforce, infrastructure, and emergency preparedness
- Support for vital services, such as trauma care, or wrap-around services, such as language translation

**Health Equity**
- Federal funding to invest in equity initiatives

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