

DEFINE ESSENTIAL HEALTH SYSTEMS IN FEDERAL LAW

Members of America's Essential Hospitals fill a vital safety net role in communities across the country. They share a mission to care for everyone, including the uninsured and underinsured, low-income patients, and other marginalized people. Entire communities rely on these essential health systems for lifesaving services, such as trauma and burn care; public health and safety; and health professionals training.

Yet, despite this indispensable role, no statutory definition exists to ensure safety net resources reach the essential hospitals that disproportionately provide these services. As a result, these hospitals struggle to make ends meet. In 2022, members of America's Essential Hospitals had an aggregate operating margin of -9.0 percent, which was more than three times lower than the aggregate operating margins for all other hospitals (-2.8 percent).¹

Legislation introduced in the 118th Congress, the bipartisan Reinforcing Essential Health Systems for Communities Act (H.R. 7397), aimed to fill this gap in federal law. Reps. Lori Trahan (D-Mass.) and David Valadao (R-Calif.) introduced this bill, which gained 15 cosponsors.

The bill defined essential health systems, using practical and evidence-based measures of a hospital's payer mix and the amount of uncompensated care it provides. These measures are consistent with recommendations by the Institute of Medicine more than two decades ago to define safety net hospitals.² The bill also incorporated recommendations from essential hospital leaders about how to make the designation easy to implement and responsive to state variations.³ Compared with Medicare-only measures of the safety net, such as that proposed by MedPAC, the measures in H.R. 7397 better identified hospitals that serve a disproportionate share of low-income and uninsured patients.⁴

PRECEDENT FOR DESIGNATION

Historically, 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 federal designation.

HOW IT WOULD WORK

The defining features of essential hospitals—their mission and the patients and communities they serve—are best captured by the three measures in the Reinforcing Essential Health Systems for Communities Act:

- **Disproportionate patient percentage (DPP)** captures a hospital's portion of Medicaid and low-income Medicare patients. This legislation would set a DPP threshold of 35 percent.
- **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 programs among states. This legislation also accounts for states, such as Massachusetts and California, that do not make DSH payments through traditional authorities.
- **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. This legislation sets a UCPF of at least 0.0005.

H.R. 7397 would have required a hospital to meet at least one of these measures.

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

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

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

DESIGNATION IN THE 119TH CONGRESS

America's Essential Hospitals is working with Reps. Lori Trahan (D-Mass.) and David Valadao (R-Calif.) to reintroduce the Reinforcing Essential Health Systems for Communities Act in the 119th Congress. We remain optimistic that the bill will continue to have strong support this Congress.

OUR CALL TO ACTION

America's Essential Hospitals calls on Congress to recognize the urgent need to define hospitals that form the foundation of our nation's health care safety net by defining essential hospitals into law.

LEARN MORE

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Endnotes

1. Miu R, Kelly K, Nelb R. *Essential Data 2024: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2022 Annual Hospital Characteristics Survey*. America's Essential Hospitals. December 2024. <https://essentialdata.info>. Accessed Dec. 9, 2024.
2. Institute of Medicine Committee on the Changing Market, Managed Care, and the Future Viability of Safety Net Providers. Lewin ME, Altman S, eds. *America's Health Care Safety Net, Intact but Endangered*. Washington, D.C. The National Academies Press. 2000. <https://nap.nationalacademies.org/catalog/9612/americas-health-care-safety-net-intact-but-endangered>. Accessed Nov. 26, 2024.
3. Dickson E, Purves S, Shields C. To Protect America's Safety-Net Hospitals, Establish A New Federal Designation. *Health Affairs Forefront*. Oct. 3, 2022. <https://www.healthaffairs.org/content/forefront/protect-america-s-safety-net-hospitals-establish-new-federal-designation>. Accessed Nov. 26, 2024.
4. Siegel B. Letter to Chiquita Brooks-LaSure on Sept. 9, 2024. <https://essentialhospitals.org/wp-content/uploads/2024/09/AEH-FY2025-OPPS-Comments-20240906.pdf>. Accessed Nov. 21, 2024.