



AMERICA'S ESSENTIAL HOSPITALS

The Reinforcing Essential Health Systems for Communities Act: Frequently Asked Questions

What is essential health system designation?

The designation would define in federal law certain nonfederal governmental or private nonprofit hospitals based on several factors, including the extent to which a hospital disproportionately serves low-income and uninsured patients and the amount of uncompensated care it provides.

Why is this needed?

Policymakers seeking to support the health care safety net can struggle to identify hospitals that provide safety net care, as no consensus definition exists for these providers. This was evident in the early days of the COVID-19 pandemic, when federal relief failed to reach some hospitals caring for disadvantaged communities hardest hit by the virus. This designation would mitigate that problem by giving policymakers a reliable way to target safety net support.

What are the specific criteria for this designation?

An essential health system must be a nonfederal governmental or private nonprofit U.S. hospital paid under the Medicare Hospital Inpatient Prospective Payment System. It must: 1) meet the requirements of a Medicaid deemed disproportionate share hospital; 2) have a Medicare disproportionate patient percentage of at least 35%; or 3) have a Medicare uncompensated care payment factor of 0.0005 or greater.

Why do you use these specific metrics for essential health systems?

Essential health systems are defined by their mission to care for all. These metrics reflect the patient populations they serve, including disproportionate numbers of Medicaid, low-income Medicare, and uninsured people. Further, the metrics allow for state-level variation. These metrics cover hospitals with a safety net role nationally while also respecting local markets.

How does this help if there is no funding involved?

During the debate over H.R. 1, it became clear that Congress first needs to define who is serving the safety net before taking more impactful steps. This designation lays the groundwork for ensuring federal funding, grants, and other safety net support reach the hospitals and health systems most in need. It also can support public health—for example, by helping governments quickly target resources, such as supplies, medications, and funding during public health emergencies.

Is this specific to members of America's Essential Hospitals?

Absolutely not—any hospital meeting the designation criteria would be a part of this class.

Are there geographical considerations?

No—whether a hospital is in rural America or an urban center, the patient population for which it cares is all that matters in determining its qualification.

Is there a precedent for a designation like this?

Yes. An essential health system definition would follow similar designations for other classes of providers, such as *Children’s Hospitals*, *Cancer Hospitals*, *Sole Community Hospitals*, and *Critical Access Hospitals*. 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. However, hospitals with a safety net mission lack a similar federal definition. Essential health system designation would correct this omission.

How will this affect hospitals with other designations, like Critical Access Hospitals?

This would not remove, take away, or change any existing hospital designations.

This bill aims to capture the class of hospitals that often get left behind, and don’t have any means of targeted resources or support at a federal level. Our designation pertains only to short-term, acute-care adult hospitals. For example, children’s hospitals are not affected, as they already are defined in Section 1886(d)(1)(B)(iii) of the Social Security Act.

Does this bill include rural hospitals?

Yes, rural hospitals are equally eligible to qualify under this designation. It is important to note that hospitals with an existing federally recognized designation do not qualify for this designation in every case.