



AMERICA'S ESSENTIAL HOSPITALS

Statement for the Record
House Committee on Energy and Commerce
Subcommittee on Health
“Investing in America’s Health”
June 4, 2019

America’s Essential Hospitals appreciates the opportunity to submit a statement for the record as the committee considers legislation to invest in America’s health. The association is pleased the committee is considering H.R. 3022, the Patient Access Protection Act, to repeal damaging reductions in Medicaid disproportionate share hospital (DSH) payment allotments to states.

America’s Essential Hospitals is the leading association and champion for hospitals and health systems dedicated to providing high-quality care to all. Our 300 hospitals and health systems form the very fabric of the nation’s health care safety net. They care for vulnerable people and anchor communities across the country, from the largest cities to expansive rural regions. They are sources of lifesaving care, jobs, and vital public health services that influence the social, economic, and environmental circumstances of a person’s life. Essential hospitals serve communities where need is greatest and in areas that might otherwise lack health care access. They reach outside their walls to care for communities where 23.9 million people live below the federal poverty line, 17.1 million lack health insurance, 10 million have limited access to nutritious food, and 360,000 are homeless. In 2017, three-quarters of patients at essential hospitals were uninsured or covered by Medicaid or Medicare. Commercial insurance covered only about a quarter of inpatient discharges and outpatient visits in 2017.

These hospitals often are their community’s largest employer. The average essential hospital employs more than 3,000 people and, through its spending, drives more than \$1 billion in statewide economic output. These 300 hospitals alone house 31 percent of the nation’s level I trauma centers and 39 percent of burn-care beds. They also train an average of nearly 240 physicians annually, more than three times that of other U.S. hospitals.

Embracing this mission comes with a cost, and our member hospitals depend on every available source of federal support. Essential hospitals provided approximately \$6.7 billion of uncompensated care in 2017, or nearly 17.4 percent of all uncompensated hospital care nationally. That number includes \$5.5 billion in charity care, or about 23 percent of all charity care across the country. This explains, in part, why members of America’s Essential Hospitals operate with margins just one-fifth that of other U.S. hospitals—1.6 percent versus 7.8 percent, respectively.

In March 2011, the Congressional Budget Office estimated that 21 million people would be uninsured in 2017. U.S. Census data now puts that number at 28.5 million. Additionally,

Medicaid expansion has not lived up to expectations for changing uncompensated care costs. In its report to Congress this spring, the Medicaid and CHIP Payment and Access Commission estimated that although uncompensated care costs decreased in 2014, the first year of Medicaid expansion, Medicaid shortfalls—the difference between what Medicaid pays and a hospital's true costs—rose at a higher rate. In that year, uncompensated care costs declined by only \$1.6 billion, while Medicaid shortfalls rose by \$4 billion. Hospitals are losing ground, even with greater access to coverage.

Congress established Medicaid DSH to partly offset the high uncompensated costs essential hospitals sustain caring for a disproportionate number of Medicaid and low-income patients and providing public health and social services to their patients and the wider community. However, essential hospitals now are staring down a \$4 billion cut to Medicaid DSH payments in fiscal year (FY) 2020—a third of annual program funding—and \$8 billion in FY 2021. Unless Congress acts, the \$4 billion cut October 1 would undermine this important work and put access to care and lifesaving services at risk in struggling communities across the country. In fact, without Medicaid DSH, essential hospitals have an average operating margin of *negative 3* percent, likely forcing them to cut services, programs, and jobs. The effect of the cuts would ripple far beyond an essential hospital's walls.

This is not the first time essential hospitals have faced severe threats to Medicaid DSH funding. However, Congress has recognized the harm DSH cuts could inflict on America's health care safety net and, with bipartisan votes, delayed these cuts four times:

- The Bipartisan Budget Act of 2013 delayed the cuts until 2016;
- The Protecting Access to Medicare Act of 2014 delayed the cuts until 2017;
- The Medicare Access and CHIP Reauthorization Act of 2015 delayed the cuts until 2018; and
- The Bipartisan Budget Act of 2018 delayed the cuts until 2020.

The need for similar bipartisan action this year is urgent: The October 1 cut would hit hospitals already weakened by two years of sharp reductions in Medicare payments for care at off-campus outpatient clinics. These so-called "site-neutral" cuts created new financial pressures that, combined with rising uncompensated care costs, leave no cushion to absorb Medicaid DSH cuts.

We call on Congress to act now to stop these damaging cuts. Essential hospitals struggle with high uncompensated care costs, Medicaid payment shortfalls, and ongoing Medicare payment reductions—they could not withstand additional deep cuts to a critical funding source. The Medicaid DSH cuts would put millions of Americans at risk of losing access to health care services.

America's Essential Hospitals appreciates the opportunity to submit a statement for the record on this vital issue. The association looks forward to working with the committee to find a sustainable solution to ending the Medicaid DSH reductions.