



AMERICA'S
ESSENTIAL
HOSPITALS

Statement for the Record
Committee on Energy and Commerce
Subcommittee on Health

Examining the Extension of Safety-Net Health Programs
June 14, 2017

Thank you for the opportunity to submit a statement for today's hearing on funding for programs vital to our nation's health care safety net. America's Essential Hospitals is the leading association and champion for hospitals and health systems dedicated to high-quality care for all, including low-income working Americans and others who face financial hardships. Our more than 300 members serve as reliable sources of care for individuals and communities, providing primary care through trauma care, disaster response, health professionals training, research, public health programs, and other services. America's Essential Hospitals is pleased the committee wants to ensure the health care safety net remains intact.

The Children's Health Insurance Program (CHIP) and federally qualified health centers (FQHCs) are both critical to providing coverage and access to care for people who might otherwise have few or no options. We are pleased the committee is actively working to extend funding for these critical programs. They deserve your prompt attention.

For millions of low-income Americans, the safety net provides choices for affordable care—not only at FQHCs but also at many essential hospitals and children's hospitals. Due to their patient populations, these hospitals often face significant financial challenges compared with other hospitals. The nation's essential hospitals:

- operate with no margin, on average;
- provide 18.3 percent of all uncompensated care nationally, or about \$7.8 billion dollars;
- care for a population that is half uninsured or Medicaid patients; and
- train nearly seven times as many medical and dental residents as other U.S. teaching hospitals.

To keep their doors open and continue providing care, these hospitals rely on Medicaid disproportionate share hospital (DSH) payments.

Under the Affordable Care Act (ACA), Medicaid DSH payment cuts were scheduled to begin in 2014. But for more than four years, a bipartisan Congress has delayed the cuts, recognizing the threat they pose to the stability of patients and essential hospitals. In fact, the original House majority proposal to repeal and replace the ACA included a full repeal of Medicaid DSH cuts across all states—a reflection of lawmakers' concern.

The most recent delay of the Medicaid DSH cuts came in the 2015 Medicare Access and CHIP Reauthorization Act (MACRA), which delayed the cuts in fiscal year (FY) 2017 by “rebasin” the cuts to extend them by a year, to 2025.

But like funding extensions for CHIP and FQHCs in MACRA, the DSH payment cut delay is set to expire on September 30 of this year. DSH cuts would start October 1 with a \$2 billion reduction in FY 2018 and increase by \$1 billion annually through 2024, ending with an \$8 billion cut. If the cuts take effect, DSH hospitals would see massive funding shortfalls at a time when the health care safety net faces other dire funding threats.

So, as Congress continues to consider broader health care reform legislation, the imminent threat of DSH cuts remains.

We believe it is critical to support safety-net programs collectively, to provide struggling Americans and underserved communities with a wider net. We respectfully request that, along with funding extensions for CHIP and FQHCs, Medicaid DSH cuts are delayed as quickly as possible and for the duration of time remaining until all stakeholders can work together for a more sustainable solution.

Thank you for your prompt attention to this vital issue.