



AMERICA'S ESSENTIAL HOSPITALS

Jan. 15, 2025

Paul Masi, MPP
Executive Director
Medicare Payment Advisory Commission
Suite 701
425 I St. NW
Washington, DC 20001

Re: Effects of Proposed Medicare Safety-Net Index on Essential Hospitals

Dear Mr. Masi:

Thank you for the opportunity to comment on the Medicare Payment Advisory Commission's (MedPAC's) proposed recommendations for hospital inpatient and outpatient services. We appreciate the expertise and dedication MedPAC staff and commissioners bring to the national dialogue about vital Medicare policy issues. We welcome MedPAC's interest in ensuring payment adequacy for hospitals that serve a safety net role, but we are concerned that the Commission's proposed Medicare Safety-Net Index (MSNI) measure would unfairly redistribute vital disproportionate share hospital (DSH) payments away from the hospitals that provide a disproportionate share of care to low-income patients.

America's Essential Hospitals is the leading association and champion for hospitals dedicated to equitable, high-quality care for all, including those who face social and financial barriers to care. Since 1981, America's Essential Hospitals has advanced policies and programs that promote health, health care access, and equity. We support our more than 300 members with advocacy, policy development, research, education, and leadership development.

Essential hospitals play an indispensable role in ensuring access to underserved communities. They provide lifesaving care when emergencies arise and have invested in expansive ambulatory care networks to help keep patients out of the hospital setting. Although essential hospitals account for only 5 percent of acute-care hospitals nationwide, they provided 28 percent of the nation's charity care in 2022. About three-quarters of the patients our members serve are uninsured or enrolled in Medicare or Medicaid.

Unfortunately, **essential hospitals' ability to provide access to these services is threatened by payers that undervalue the care they provide.** Because Medicare and Medicaid payment rates are lower than other payers' rates, essential hospitals have much lower operating margins than other hospitals. For example, in 2022, members of America's Essential Hospitals had an aggregate operating margin of -9.0 percent, which was far worse than the aggregate operating margins for all other hospitals (-2.8 percent).¹

Medicare Needs to Do More to Support Safety Net Hospitals

We appreciate that MedPAC has recognized the inadequacy of current Medicare payments to safety net hospitals and that it has proposed recommending an additional \$4 billion in federal funding to begin addressing historic payment inequities. As noted in the commission's June 2022 report, Medicare has an important role to play in ensuring adequate compensation for providers that provide a disproportionate share of care to low-income beneficiaries because, without this support, these institutions would not be able to provide sufficient access to care for beneficiaries with the greatest health needs.²

When adding additional funding to support safety net hospitals, **policymakers should supplement rather than redistribute existing Medicare disproportionate share hospital (DSH) and uncompensated care payments.** These critically important sources of funding for essential hospitals are already distributed according to well-established and congressionally sanctioned methodologies.

The Medicare Safety-Net Index is a Flawed Metric

We oppose the commission's proposed MSNI to distribute payments to safety net hospitals because it would have the perverse effect of shifting resources away from hospitals that need the support the most. For example, according to our analyses of the most recent Medicare hospital payment rules, the MSNI would shift funding away from the largest safety net providers that serve the highest numbers of low-income Medicare patients.³

Perhaps the MSNI's biggest flaw is that it deviates from long-standing consensus that safety net providers should be identified based on the share of all types of low-income patients they serve. In 2000, the Institute of Medicine convened a wide variety of stakeholders and experts to develop a consensus definition of safety net providers as those that serve a high share of uninsured, Medicaid, and other disadvantaged patients.⁴ In 2022, when MedPAC initially developed its framework for identifying safety net providers, it also acknowledged that Medicaid and uninsured patients should be considered when assessing whether a provider serves a safety net role.⁵

An Essential Health System Designation Would Better Target Funding to Safety Net Providers and the Patients they Serve

America's Essential Hospitals is willing to work with MedPAC staff to develop better, evidence-based metrics to identify safety net hospitals. In particular, we urge the commission to consider the designation criteria proposed in the bipartisan Reinforcing Essential Health Systems for Communities Act (H.R. 7397).

Unlike MSNI, the proposed essential health system designation metric considers care provided to all low-income patients, which is a better measure of the financial challenges that a hospital faces. In addition, the measure is more responsive to state variation than MSNI, which is important for targeting payments more effectively.⁶

In 2023, the small share of hospitals that met the criteria of H.R. 7397 provided 47 percent of the nation's hospital care to dually eligible Medicare beneficiaries and those eligible for the low-income subsidy. In addition, these hospitals accounted for 66 percent of Medicaid inpatient days and 66 percent of all hospital uncompensated care.⁷ As a result, increasing Medicare

support for these hospitals would have a disproportionate benefit for the lowest income patients.

America's Essential Hospitals appreciates the opportunity to submit these comments. If you have questions, please contact Director of Policy Robert Nelb, MPH, at 202-585-0127 or rnelb@essentialhospitals.org.

Sincerely,



Bruce Siegel, MD, MPH
President and CEO

¹ Miu R, Kelly K, Nelb R. *Essential Data 2024: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2022 Annual Member Characteristics Survey*. America's Essential Hospitals. December 2024. essentialdata.info. Accessed Jan. 7, 2025.

² Medicare Payment Advisory Commission. *Report to the Congress: Medicare and the Health Care Delivery System, Chapter 3*. June 2022. https://www.medpac.gov/wp-content/uploads/2022/06/Jun22_Ch3_MedPAC_Report_to_Congress_SEC.pdf. Accessed Jan. 7, 2025.

³ 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 Jan. 7, 2025.

⁴ 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 Aug. 13, 2024.

⁵ Medicare Payment Advisory Commission. *Report to the Congress: Medicare and the Health Care Delivery System, Chapter 3*. June 2022. https://www.medpac.gov/wp-content/uploads/2022/06/Jun22_Ch3_MedPAC_Report_to_Congress_SEC.pdf. Accessed Jan. 7, 2025.

⁶ 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 Aug. 19, 2024.

⁷ 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 Jan. 7, 2025.