August 30, 2024

The Honorable Nick LaLota
United States House of Representatives
1530 Longworth House Office Building
Washington, DC 20515

The Honorable Yvette Clarke
United States House of Representatives
2058 Rayburn House Office Building
Washington, DC 20515

The Honorable Larry Bucshon, M.D.
United States House of Representatives
2313 Rayburn House Office Building
Washington, DC 20515

The Honorable Doris Matsui
United States House of Representatives
2311 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Lawler
United States House of Representatives
1013 Longworth House Office Building
Washington, DC 20515

The Honorable Frank Mrvan
United States House of Representatives
1607 Longworth House Office Building
Washington, DC 20515

Dear Reps. LaLota, Clarke, Bucshon, Matsui, Lawler, Mrvan:

On behalf of the Association of American Medical Colleges (AAMC), I write in support of the Save Our Safety-Net Hospitals Act (H.R. 9351), which would address the unintended consequences of Sec. 203 of the Consolidated Appropriations Act, 2021 (P.L. 116-260) and protect the ability of teaching health systems and hospitals to care for patients dually eligible for both Medicare and Medicaid.

The AAMC is a nonprofit association dedicated to improving the health of people everywhere through medical education, health care, medical research, and community collaborations. Its members are all 158 U.S. medical schools accredited by the Liaison Committee on Medical Education; 13 accredited Canadian medical schools; approximately 400 academic health systems and teaching hospitals, including Department of Veterans Affairs medical centers; and more than 70 academic societies. Through these institutions and organizations, the AAMC leads and serves America's medical schools, academic health systems and teaching hospitals, and the millions of individuals across academic medicine, including more than 193,000 full-time faculty members, 96,000 medical students, 153,000 resident physicians, and 60,000 graduate students and postdoctoral researchers in the biomedical sciences. Following a 2022 merger, the Alliance of Academic Health Centers and the Alliance of Academic Health Centers International broadened participation in the AAMC by U.S. and international academic health centers.

Established in 1981, the Medicaid Disproportionate Share Hospital (DSH) program provides crucial financial support to hospitals that care for a large number of low-income patients, including Medicaid enrollees and the uninsured. The program is especially important to AAMC-member teaching health systems and hospitals, which play an outsized role in our nation's health

care safety net. Although they comprise just 5% of all inpatient hospitals in the U.S., AAMC members account for 22% of Medicare inpatient days, 28% of all Medicaid inpatient days, and 32% of hospital charity care costs.[1] In fiscal year (FY) 2022, AAMC members reported an $11.3 billion Medicaid shortfall, representing an over 80% increase from FY 2018. These statistics demonstrate that AAMC-member institutions are committed to providing high-quality care to all patients, regardless of their coverage status or ability to pay.[2] However, this unwavering commitment to care can lead to financial hardship, particularly given that reimbursement from public payers like Medicare and Medicaid often falls below the cost of providing services. In 2020, hospitals received just 84 cents for every dollar spent on Medicare patients and 88 cents per dollar spent on Medicaid patients.[3] Chronic under-reimbursement by public payers, compounded by historic workforce shortages, rising expenses (including escalating drug prices), increasing use of prior authorization by private payers, and unprecedented capacity constraints, threaten our members' ability to fulfill their missions and care for patients.

Given the serious financial challenges facing hospitals nationwide, now more than ever it is critical that lawmakers uphold and strengthen the Medicaid DSH program. Recently, a little-publicized provision of the Consolidated Appropriations Act, 2021 (P.L. 116-260) introduced a significant change in how hospitals access these funds. Under this provision ("Section 203"), hospitals cannot account for costs and payments associated with patients who are dually eligible for both Medicaid and another form of coverage when calculating their Medicaid DSH cap (i.e., the maximum amount of funding they are eligible to receive). This prohibition extends to individuals who are dually eligible for both Medicare and Medicaid (referred to as "duals"), who are known to be more socially and medically complex than the average Medicare beneficiary.[4]

AAMC-member teaching health systems and hospitals provide highly specialized care that is often unavailable in other settings. For this reason, our member institutions care for the most clinically and socially complex patients, including Medicare-Medicaid dual eligibles. Duals report a higher prevalence of chronic conditions and disabilities, and therefore, are more costly to care for. Hospitals that treat a large number of duals are likely to face serious financial challenges, as Medicare consistently underpays for their care.[5] Given the high costs associated with caring for duals, compounded by hospitals' under-reimbursement by Medicare, excluding these patients from the DSH cap calculation methodology seriously disadvantages safety-net hospitals. If left unaddressed, Sec. 203 may result in millions of dollars of financial losses for

[1] Source: AAMC analysis of AHA Annual Survey Database FY2022 and NIH Extramural Research Award data. Note: Data reflect all short-term, general, nonfederal hospitals.
[2] Source: Centers for Medicare and Medicaid Services, Hospital Cost Reporting Information System (HCRIS) Database, FY2018-FY2022 released in July of each associated year. AAMC Membership data, August 2024
[3] https://www.aha.org/system/files/media/file/2022/02/medicare-medicaid-underpayment-fact-sheet-current.pdf
[4] https://www.kff.org/medicare/issue-brief/a-profile-of-medicare-medicaid-enrollees-dual-eligibles/
[5] https://www.aha.org/system/files/media/file/2024/05/Americas-Hospitals-and-Health-Systems-Continue-to-Face-Escalating-Operational-Costs-and-Economic-Pressures.pdf

some of the AAMC's most vulnerable safety-net members, endangering access to care for low-income and underserved patients.

The Save Our Safety-Net Hospitals Act (H.R. 9351) would address this challenge by allowing hospitals to include unreimbursed costs associated with patients who are dually eligible for both Medicaid and another form of coverages towards their Medicaid shortfall calculation. This would help hospitals to offset uncompensated care costs associated with dual eligibles.

We thank you for introducing this important legislation to protect safety-net providers and the patients and communities they serve. If you have any questions, please reach out to my colleagues, Len Marquez (lmarquez@aamc.org), Senior Director, Government Relations and Legislative Advocacy, or Sinead Hunt (sihunt@aamc.org), Senior Legislative Analyst.

Sincerely,

Danielle Turnipseed, JD, MHSA, MPP
Chief Public Policy Officer
Association of American Medical Colleges

CC: David J. Skorton, MD
President and CEO
Association of American Medical Colleges