

## AHA Advocates for New Hospital Designation

The American Hospital Association (AHA) is advocating for the creation of a new hospital designation for certain urban safety net hospitals. In a report released in mid-October 2022, as well as in an accompanying fact sheet and letter sent to congressional leaders, the AHA defines these so-called Metropolitan Anchor Hospitals (MAHs), outlines their importance to the communities they serve, and explains why MAHs deserve supplemental financial support from the government.

At a high level, the AHA describes MAHs as “safety net hospitals...that serve large numbers of urban, low-income and historically marginalized individuals.”<sup>1</sup> Specifically, MAHs are defined as hospitals:

- (1) “Located in an urban area;
- (2) With a Medicaid Inpatient Utilization Rate (MIUR) greater than the statewide average, and
- (3) With either:
  - (a) A disproportionate patient percentage (DPP) greater than 70%, or;
  - (b) A DPP greater than 34.5% combined with a ratio of uncompensated care costs (UCC)-to-beds of \$35,000 or more.”<sup>2</sup>

AHA identified 465 hospitals across 162 metropolitan statistical areas that fall within this definition, i.e., one in eight urban hospitals.<sup>3</sup>

Compared to other hospitals, MAHs:

- (1) “are typically larger, accounting for 33% of market-wide beds and an estimated 34% of market-wide inpatient revenue”;
- (2) “[a]re major teaching hospitals”;
- (3) “[a]re more likely to provide essential services...[and p]rovide a greater number of these essential services, such as burn care, neonatal intensive care, inpatient psychiatric care, substance use disorder services, HIV care”;
- (4) “provide a disproportionately high amount of care to historically marginalized populations, accounting for about 48% of market-wide Medicaid inpatient days and 49% of market-wide uncompensated care costs”;
- (5) have an “average Medicaid Inpatient Utilization Rate (MIUR) of...nearly 37%, compared to 17% in other hospitals”; and
- (6) “[a]re larger employers in their catchment areas.”<sup>4</sup>

Because MAHs provide vital services in their communities, AHA is urging congressional leaders to create a “special statutory designation for MAHs.”<sup>5</sup> Such a designation would pave the way for enhanced federal funding for those hospitals, which AHA argues is necessary because MAHs operate under low margins, due to treating more Medicaid patients and having above-average uncompensated care costs. These issues were highlighted by the COVID-19 pandemic, which stressed all hospitals, but was particularly devastating to those hospitals that serve in a safety net role (due not just to their already-low margins, but also to the sizable increase in the Medicaid population).<sup>6</sup> Those financial challenges are not yet over – a September 2022 report by healthcare consulting firm Kaufman Hall found that hospitals are on track for their worst financial year in decades.<sup>7</sup>

On October 24, 2022, AHA sent a letter to congressional leaders requesting that as leaders determine the legislative branch’s end-of-year agenda, they consider additional priorities important to the trade association’s member hospitals and health systems, including addressing workforce shortages and providing targeted relief to hospitals.<sup>8</sup> Further, the AHA letter specifically requested Congress to create an MAH designation.

If AHA’s initiative is pursued by the federal government, it will be the second new hospital designation established in 2022. The Consolidated Appropriations Act of 2021 established the Rural Emergency Hospital (REH) designation.<sup>9</sup> Beginning January 1, 2023, facilities that are a rural hospital or a critical access hospital (CAH); have fewer than 50 beds; and do not provide acute care inpatient services (except for skilled nursing facility services in a distinct unit), can convert to an REH and receive an additional 5% on top of the Outpatient Prospective Payment System (OPPS) payment rate for each service, as well as a monthly facility payment.<sup>10</sup> The MAH initiative is a shift in focus for AHA, which has been advocating heavily for rural hospitals over the past few years. Since 2005, 183 rural hospitals and CAHs have either closed or eliminated inpatient services, and one-fourth of the remaining rural hospitals are vulnerable to closure.<sup>11</sup> With hospitals across the U.S. undergoing a third straight year of unprecedented challenges, driven by the COVID-19 pandemic, labor shortages and supply-chain disruptions, and the highest inflation rates in four decades – and soon to be further tested by a possible “triple-demic”<sup>12</sup> – finding creative ways for hospitals to receive enhanced funding may be necessary to save the U.S. healthcare delivery system from collapse.

- 1 “Final Report: Exploring Metropolitan Anchor Hospitals and the Communities They Serve” By Alex Hartzman, et al., NORC at the University of Chicago, Presented to the American Hospital Association, October 2022, available at: <https://www.aha.org/system/files/media/file/2022/10/Exploring-Metropolitan-Anchor-Hospitals-and-the-Communities-They-Serve-202210.pdf> (Accessed 10/27/22), p. 1.
- 2 *Ibid*, p. 4.
- 3 *Ibid*, p. 1; “Fact Sheet: Metropolitan Anchor Hospitals” American Hospital Association, October 2022, <https://www.aha.org/system/files/media/file/2022/10/fact-sheet-metropolitan-anchor-hospitals.pdf> (Accessed 10/27/22).
- 4 Hartzman, et al., NORC at the University of Chicago, p. 1. American Hospital Association, October 2022.
- 5 “AHA seeking new federal designation for safety net hospitals” By Jeff Lagasse, Healthcare Finance, October 26, 2022, <https://www.healthcarefinancenews.com/news/aha-seeking-new-federal-designation-safety-net-hospitals> (Accessed 10/27/22).
- 7 “September 2022 National Hospital Flash Report” Kaufman Hall, <https://www.kaufmanhall.com/sites/default/files/2022-09/KH-NHFR-09-2022.pdf> (Accessed 10/27/22).
- 8 Letter by Richard J. Pollack, President and Chief Executive Officer, American Hospital Association to The Honorable Charles E. Schumer, The Honorable Mitch McConnell, The Honorable Nancy Pelosi, The Honorable Kevin McCarthy, October 24, 2022, available at: <https://www.aha.org/system/files/media/file/2022/10/aha-to-congress-re-end-of-year-agenda-priorities-letter-10-24-22.pdf> (Accessed 10/27/22).
- 9 “CMS proposes CoP for new rural emergency hospital model” By Alex Kacik, Modern Healthcare, July 1, 2022, <https://www.modernhealthcare.com/policy/cms-proposes-cop-new-rural-emergency-hospital-model> (Accessed 7/25/22); “CY 2023 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule (CMS 1772-P)” Centers for Medicare & Medicaid Services, July 15, 2022, <https://www.cms.gov/newsroom/fact-sheets/cy-2023-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center> (Accessed 7/19/22).
- 10 Centers for Medicare & Medicaid Services, July 15, 2022.
- 11 “CMS proposes CoP for new rural emergency hospital model” By Alex Kacik, Modern Healthcare, July 1, 2022, <https://www.modernhealthcare.com/policy/cms-proposes-cop-new-rural-emergency-hospital-model> (Accessed 10/27/22); “Rural Hospital Closures” The Cecil G. Sheps Center for Health Services Research, University of North Carolina, <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/> (Accessed 10/27/22).
- 12 Experts are predicting a surge of three viruses during the winter of 2022-2023 – the flu, COVID-19, and respiratory syncytial virus (RSV) – “which could cause a surge of patients seeking treatment at hospitals that are already stretched thin.” “Signs of a ‘Tripledemic’” By Jonathan Wolfe, the New York Times, October 26, 2022, <https://www.nytimes.com/2022/10/26/briefing/signs-of-a-tripledemic.html> (Accessed 10/28/22).



*FREE eBook DOWNLOAD*

HEALTH CAPITAL  
*Topics II*   
 2021

**DOWNLOAD HERE**



**(800)FYI - VALU**

*Providing Solutions  
in the Era of  
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

## HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payor Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



**[Todd A. Zigrang](#)**, MBA, MHA, CVA, ASA, FACHE, is the President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[The Adviser's Guide to Healthcare – 2nd Edition](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



**[Jessica L. Bailey-Wheaton](#)**, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer*; *Physician Leadership Journal*; *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner*; and *QuickRead*. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA's *QuickRead* and AHLA's *Journal of Health & Life Sciences Law*.



**[Janvi R. Shah](#)**, MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.