

# Save Struggling Hospitals Act of 2026 (S.4233)

## Summary

Rural hospitals are closing at an alarming rate with more than 180 rural hospitals around the nation having closed since 2010.<sup>1</sup> In the past year alone, dozens of hospitals have fully closed or lost inpatient services, and nearly half of all rural hospitals now operate with negative operating margins, leaving many communities at risk of losing access to essential care.

Low patient volumes and significant financial strain are often the primary factors in these rural hospital closures. In most of these cases, financial strain for rural hospitals is compounded by the flawed Medicare Area Wage Index that results in rural hospitals receiving lower payment rates.

The Medicare Area Wage Index formula is based on outdated assumptions for labor costs, resulting in hospitals in historically high-wage urban markets continuing to receive higher payments, while lower-wage regions start from a lower-wage base and cannot easily catch up because **Medicare payments themselves influence wage capacity**. The formula also fails to account for hospitals increasingly competing for workers in national labor markets, and the evolving presence of telehealth and remote monitoring opportunities for providers.

## What this Bill Would Do:

The Save Struggling Hospitals Act would strengthen rural healthcare by ensuring that hospitals in rural and low-wage areas receive **fair Medicare reimbursement** for the essential services they provide.

## Key Provisions:

S.4233 would codify the Medicare low-wage index hospital policy which increased Medicare wage index values for hospitals in the bottom 25th percentile from FY2020 to FY2024. Following a July 2024 court ruling in *Bridgeport Hosp. v. Becerra*, declaring it unlawful, CMS removed the policy for FY2025 and finalized its termination for FY2026. Secretary Kennedy has continued to express a willingness to work on the policy, but CMS requires legislative action to go beyond the *Bridgeport* ruling.

The bill retains budget neutrality by increasing wages for hospitals in the lowest 25 percent (bottom quartile) halfway to the national average of 1, while holding harmless the mid-quartile hospitals. Those in the top 25 percent (upper quartile) will receive no more than a 5 percent cut in AWI from the previous year to avoid destabilizing wage estimates year-over-year.

## Endorsing Organizations:

- National Rural Health Association
- National Association of Rural Health Clinics
- Alabama Hospital Association
- Arkansas Hospital Association
- Georgia Hospital Association

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<sup>1</sup> <https://www.chartis.com/insights/2025-rural-health-state-state>

- Louisiana Hospital Association
- Mississippi Healthcare Collaborative
- Mississippi Hospital Association
- South Carolina Hospital Association
- Tennessee Hospital Association
- Virginia Hospital & Healthcare Association
- West Virginia Hospital Association
- Alliance Health Center
- Ballad Health
- Blount Memorial Hospital
- Community Health Center Association of Mississippi
- Covenant Health
- Forrest General Hospital
- George Regional Health System
- Huntsville Hospital Health System
- Lifepoint Health
- Merit Health River Oaks
- North Mississippi Health Services
- Prisma Health
- Singing River Health System
- South Central Regional Medical Center
- Tennova Healthcare
- University of Mississippi Medical Center
- University of Tennessee Medical Center
- The Center for Health Affairs, Northeast Ohio