



AMERICA'S ESSENTIAL HOSPITALS

April 10, 2020

Alex Azar
Secretary
U.S. Department of Health and Human Services
200 Independence Ave. SW
Washington, DC 20201

Dear Secretary Azar:

America's Essential Hospitals continues to appreciate the swift actions taken by the Department of Health and Human Services (HHS) to mitigate COVID-19. We also are pleased the Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Public Health and Social Services Emergency Fund, providing \$100 billion to health care providers for health care-related expenses and lost revenue attributable to the pandemic. However, we are concerned that the first disbursement of the fund does not adequately focus on hospitals with limited resources, serving large Medicaid and low-income populations. **America's Essential Hospitals continues to urge HHS to ensure essential hospitals, which are on the front lines of this public health crisis, receive needed resources, and we suggest general metrics the agency can use to better target these critical funds moving forward.**

America's Essential Hospitals is the leading champion for hospitals and health systems dedicated to high-quality care for all, including the vulnerable. Our more than 300 member hospitals fill a vital role in their communities. They provide a disproportionate share of the nation's uncompensated care, and three-quarters of their patients are uninsured or covered by Medicare or Medicaid. Our members provide state-of-the-art, patient-centered care while operating on margins one-fifth that of other hospitals—1.6 percent on average compared with 7.8 percent for all hospitals nationwide.¹ These figures plainly demonstrate the challenges COVID-19 poses for essential hospitals and the bleak financial future they face in this costly public health battle.

In addition, essential hospitals' diverse patient mix and commitment to serving all people, regardless of income or insurance status, pose unique challenges. A disproportionate number of their patients face sociodemographic challenges to accessing care, including homelessness, language barriers, and low health literacy. Ten million people in essential hospital communities have limited access to healthy food, and nearly 24 million live below the poverty line.² Essential

¹ Clark D, Roberson B, Ramiah K. *Essential Data: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2017 Annual Member Characteristics Survey*. America's Essential Hospitals. April 2019. <https://essentialdata.info>. Accessed March 17, 2020.

² Ibid.

hospitals are uniquely situated to target these social determinants of health and are committed to serving these vulnerable patients.

The COVID-19 pandemic has hit the patients and communities served by essential hospitals particularly hard, especially racial and ethnic minorities. Sociodemographic factors greatly influence patient health status, making our member hospitals' patients most at risk as COVID-19 appears detrimental for those with underlying health conditions. As outbreaks continue, essential hospitals that serve these vulnerable patient populations find themselves in an increasingly precarious position with tight operating margins (resulting in minimal reserves) and low cash on hand. These circumstances further compound essential hospitals' challenges and strain their limited resources.

Moreover, the preparation and response efforts associated with COVID-19—including increasing capacity through alternative care sites, competing with other providers for personal protective equipment (PPE) and other supplies, and ensuring staff capacity—have significantly increased costs incurred by essential hospitals. At the same time, our member hospitals have experienced an abrupt drop in revenue due in part to the shift away from planned and elective procedures and other ancillary services to increase capacity for COVID-19 patients, preserve limited PPE, and minimize spread of the virus. While these actions are necessary given the situation, they result in severe cash flow concerns. Given their precarious financial situations to begin with, many of our member hospitals struggling even to make payroll.

Essential hospitals anchor the nation's safety net. They need **rapid** financial relief and support to successfully mitigate the spread of this outbreak, testing all patients in need and providing appropriate treatment. As such, essential hospitals were encouraged by the bipartisan provision in the CARES Act allocating \$100 billion in emergency funding to hospitals and providers through the emergency fund. Congress intended the fund to reimburse providers for nonreimbursable costs or lost revenue.

However, we are concerned by the administration's recent decision to distribute \$30 billion from this fund to hospitals based solely on Medicare fee-for-service revenue, regardless of need. This approach clearly disadvantages providers, such as essential hospitals, with below-average Medicare volumes and disproportionately high Medicaid and low-income volumes. They will not get a fair share of the \$30 billion relative to their need. In fact, some of the hospitals caring for the largest influx of COVID-19 patients in areas hard hit by the pandemic will get minimal funding from the first tranche of emergency fund payments because they predominantly care for Medicaid and uninsured patients.

In addition, the association is concerned this problem will be exacerbated if the second round of funding focuses exclusively on providers other than adult, acute care hospitals with little to no Medicare claims (such as children's hospitals and nursing homes) and does not seek to address the low proportionate share that essential hospitals will receive from round one funding. Distributing part of the emergency funds in this way goes against Congress' intent and dilutes available financial relief for hospitals, especially those with significant Medicaid and low-income patient populations that are most in need of help during this crisis.

We continue to urge HHS to target remaining emergency fund dollars, and any other funds to be disbursed at the agency's discretion, in a way that assigns a heavier weight on providers serving

Medicaid and low-income patient populations. As such, funding should be prioritized to essential hospitals serving vulnerable communities and complex patients.

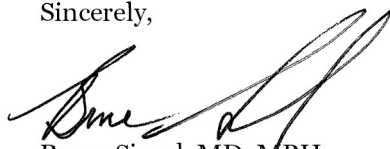
Specifically, America's Essential Hospitals recommends HHS use a targeted distribution methodology that prioritizes emergency fund payments to hospitals serving a disproportionate share of Medicaid and low-income patient populations, through a weighting process or similar means. There are existing metrics, readily available to HHS, that can be used to target and expeditiously distribute the funds to where they are most needed. For example, the agency can use the deemed disproportionate share hospital (DSH) designation to identify hospitals that primarily serve Medicaid and low-income patients. As defined by Section 1923(b) of the Social Security Act, for a hospital to receive a deemed DSH designation, it must have high Medicaid and low-income utilization rates.³ Another, existing metric is the DSH patient percentage (DPP), which is used to identify hospitals that serve a disproportionate share of low-income patients to qualify for a Medicare DSH adjustment. The DPP is determined by the number of patient days for low-income Medicare and Medicaid patients.⁴ To capture hospitals that shoulder a significant uncompensated care burden, HHS can look to the uncompensated care payment factor (UCPF). The UCPF is the hospital's uncompensated care costs relative to all Medicare DSH hospitals' uncompensated care costs and is used to allocate the bulk of Medicare DSH payments.⁵

Using these metrics, HHS can identify hospitals disproportionately serving Medicaid and low-income patients. However, while these measures are sound, HHS should not use a one-size-fits-all approach; we encourage the agency to use these factors in combination to allow hospitals to qualify for targeted funding through one of several approaches. Last, in addition to prioritizing hospitals serving Medicaid and low-income patients, HHS must factor in the significant costs incurred by hospitals currently faced with a large influx of COVID-19 patients and those that are standing ready for projected surges in new infections.

By applying these types of metrics to a disbursement approach, HHS can ensure the emergency fund is targeted to hospitals serving the most vulnerable patient populations, including those most at risk of contracting and facing serious complications from COVID-19. **HHS must target the Public Health and Social Services Emergency Fund to ensure essential hospitals—critical to the nation's response to the pandemic—receive the resources they need to keep their doors open. We urge HHS to expend the remaining dollars of the emergency fund in a manner that accounts for hospitals serving Medicaid and low-income patient populations.**

We look forward to continued engagement and partnership to mitigate the COVID-19 outbreak. If you have questions, please contact Senior Director of Policy Erin O'Malley at 202-585-0127 or eomalley@essentialhospitals.org.

Sincerely,



Bruce Siegel, MD, MPH
President and CEO

³ 42 U.S.C. § 1396r-4(b)

⁴ 42 C.F.R. § 412.106 (1989)

⁵ 42 U.S.C. § 1395ww