May 5, 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 appreciates the continued leadership of the Department of Health and Human Services (HHS) during the COVID-19 public health emergency. HHS acted swiftly to begin releasing the $100 billion Public Health and Social Services Emergency Fund, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and we understand you now are moving to allocate the additional $75 billion from the provider relief fund in the Paycheck Protection Program and Health Care Enhancement Act. We appreciate this work but remain concerned that the bulk of allocations released to date do not adequately account for essential hospitals with limited resources and serving on the front lines of this public health crisis. **We urge HHS to allocate $20 billion of the remaining provider relief funds to hospitals that serve large Medicaid and low-income patient populations to ensure the stability of the nation’s health care safety net.**

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 two-thirds 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 tight operating margins result in minimal reserves and low cash on hand, with many essential hospitals struggling to make payroll. At the same time, these hospitals have made significant investments to prepare for and respond to the COVID-19 pandemic—including increasing capacity through alternative care sites, competing with other providers for personal protective equipment and other critical supplies, and ensuring staff capacity—while facing an abrupt drop in revenue due in part to the shift away from planned and elective procedures and

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other ancillary services. As a result, essential hospitals face a bleak financial future and many other challenges as they continue to respond to this public health crisis.

Compounding these challenges are essential hospitals’ complex patient mix and commitment to serving all people, regardless of income or insurance status. A disproportionate number of our member hospitals’ 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. Essential 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, putting our member hospitals’ patients most at risk as COVID-19 appears detrimental for those with underlying risk factors. As outbreaks continue, essential hospitals serving these vulnerable patient populations find themselves in an increasingly precarious position of responding to the pandemic with strained resources.

We remain concerned by the administration’s decision to distribute $50 billion from the Public Health and Social Services Emergency Fund to a myriad of providers based on net patient revenue, regardless of need. This approach clearly disadvantages essential hospitals. Essential hospitals provide care to a disproportionately high number of Medicaid and low-income patients, which are reimbursed at lower payment rates compared with Medicare and commercial reimbursements, resulting in these hospitals receiving substantially lower patient revenues. Because of this, they will not get a fair share of the $50 billion relative to their need.

Further, we appreciate the agency distributing a total of $12 billion targeted to hospitals in areas with severe virus outbreak that have had at least 100 COVID-19 inpatient admissions through April 10. HHS is distributing $10 billion to 395 hospitals based on a fixed amount per COVID-19 inpatient admission, with an additional $2 billion distributed based on Medicare and Medicaid disproportionate share hospital (DSH) and uncompensated care payments. We encourage HHS to make public the methodology used by the agency to distribute this allocation, including a list of the 395 hospitals receiving payments and hospital-specific payment amounts.

We also appreciate the agency’s use of Medicare and Medicaid DSH and uncompensated care payments to determine additional payments to hospitals in the targeted hospital disbursement. While this recognizes the burden shouldered by hospitals serving low-income and Medicaid patients in hot spots, not all essential hospitals will get the relief needed. As noted above, essential hospitals operate on slim margins and, while the targeted allocation brings some relief, these hospitals still face dire fiscal futures—especially compared with more financially stable hospitals in this distribution group. Moreover, this targeted allocation also excludes many essential hospitals that have seen revenues drop and expenses rise, but that as of April 10 had not treated at least 100 patients, and therefore, did not receive funding from the targeted allotment. These essential hospitals, across the country, still need relief to continue serving on the front lines of this public health crisis.

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2 Ibid.
Essential hospitals anchor the nation’s safety net and need rapid financial relief and support to successfully mitigate the spread of this outbreak, test all patients in need, provide appropriate treatment, and remain financially viable for the good of their communities and employees. The threat to these hospitals cannot be overstated. **As such, HHS should allocate $20 billion in remaining provider relief funds to hospitals serving a high volume of Medicaid and low-income patients.**

As HHS decides how to distribute the remaining roughly $102.6 billion in the provider relief fund, minus the unspecified amount allocated to reimburse claims for COVID-19 treatment of uninsured patients, we urge you to keep essential hospitals in mind. Allocating $20 billion in funding to hospitals serving high volumes of Medicaid and low-income patients is critical to ensuring the stability and future viability of the nation’s safety net—at a time it is most needed. These funds will help bring parity between essential hospitals and hospitals that received the greatest relief from the $50 billion in general fund allotment. Further, this approach targets hospitals serving the most vulnerable patient populations, including those most at risk of contracting and facing serious complications from COVID-19. **HHS must target $20 billion from 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.**

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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