September 1, 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) and its work to determine provider allocations from the $175 billion Provider Relief Fund, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act. As the nation responds to the COVID-19 pandemic, this funding is critical to providers incurring increased expenses and lost revenue due to the pandemic.

We are encouraged by recent distributions through the safety-net allocations and high impact-area allocations. However, we remain concerned that the methodologies used to identify eligible hospitals for these allocations often omits essential hospitals serving on the front lines of this public health emergency. As HHS determines how to distribute the remainder of the Provider Relief Fund, America’s Essential Hospitals urges the agency to:

- quickly prioritize remaining relief dollars for hospitals that have not, to date, received any payment from the targeted allocations;
- issue another high-impact allocation for hospitals experiencing an increase in COVID-19 patients; and
- ensure any portals created to support an application process to request additional relief dollars is transparent, engages stakeholders, and is accompanied with clear guidance for providers.

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. Essential hospitals provide state-of-the-art, patient-centered care while operating on
margins one-third that of other hospitals—2.5 percent on average compared with 7.6 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. These hospitals continue to make significant investments to 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. Hospitals have made these investments while facing a drop in revenue due in part to decreasing the number of planned and elective procedures and other ancillary services to stand ready for COVID-19 patients. As the pandemic continues and new hot spots emerge, hospitals’ volume of services unrelated to COVID-19 have not yet returned to prepandemic levels and are not expected to until at least the end of the year. As a result, essential hospitals face an uncertain financial future and many other challenges as they continue to respond to this public health emergency.

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 essential hospitals’ patients face sociodemographic challenges to accessing care, including homelessness, language barriers, and low health literacy. Approximately 10 million people in essential hospital communities have limited access to healthy food and nearly 24 million live below the poverty line.²

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 essential 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.

While the association appreciates HHS for recognizing the critical role of these hospitals in the nation’s response to the pandemic through the recently announced safety-net allocation, we remain concerned that many essential hospitals are excluded from targeted allocations of the Provider Relief Fund.

To date, HHS has distributed several targeted allocations from the Provider Relief Fund, with some specific to hospitals:

- in areas greatly impacted by the COVID-19 pandemic;
- that fill a safety-net role in their community; or
- that are specific rural providers.

Hospitals had to meet specific criteria to be eligible for payment through each targeted allocation. However, the criteria excluded certain essential hospitals from the distributions. For many hospitals, outbreaks of the COVID-19 virus in their communities came after the cut-off date chosen by the agency, as discussed in more detail below. For the safety-net allocation, many


² Ibid.
essential hospitals that serve that role in their communities would have received payment but for variations in hospital financing and accounting that directly impact hospital operating margins or uncompensated care calculations. Alternatively, other essential hospitals are in urban areas, which excludes them from any of the rural distributions.

We remain concerned that many essential hospitals’ provider relief payments are not commensurate with their increased expenses and lost revenue from responding to the pandemic. HHS’ methodologies to date for distributing the general allocation clearly disadvantaged essential hospitals, which provide care to a disproportionately high number of Medicaid and low-income patients. Care for these patients is reimbursed at lower payment rates compared with Medicare and commercial reimbursements, resulting in these hospitals receiving substantially lower patient revenues. Because of this, they did not get a fair share of the $50 billion general allocation relative to their need. Now, many essential hospitals find themselves excluded from the targeted allocations, leaving them in dire need of rapid relief.

We are pleased to see that the agency acknowledges the lack of parity for some hospitals by noting in a recent update to the Provider Relief Fund FAQs that it might consider providers that have only seen payments from the general allocation for future distributions.4 America’s Essential Hospitals encourages the agency to not only consider but prioritize future payments from the Provider Relief Fund to hospitals that have not yet received a targeted allocation payment. This approach ensures these essential hospitals—with limited resources that continue to serve on the front lines of the pandemic—will receive needed relief dollars.

As noted above, in addition to hospitals excluded from the targeted allocations, many hospitals also were left out of the second high-impact allocation distribution if they saw a surge in COVID-19 cases more recently. While we appreciate HHS’ recognition of the need for a second round of payments to hospitals in high-impact areas, we urge the agency to continue to distribute relief dollars to hospitals in areas hardest hit by the ever-evolving pandemic. The second high-impact allocation distribution targeted hospitals with more than 161 COVID-19 admissions between January 1 and June 10. As COVID-19 cases continue to spike throughout the country, another round of high-impact payments to hospitals with increases in admissions since June 10 is needed. Several states are struggling with significant spikes in positive COVID-19 cases and related fatalities. In Florida and Texas, COVID-19 cases have surged at an alarming rate.4,5 In Arizona, the recent spike in COVID-19 cases has been described as among the worst in the country, with hospital intensive care units nearly full.6 Hospitals in these states, and others, need support through relief payments as they continue to test and treat patients with COVID-19. As

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such, we encourage HHS to issue another high-impact area allocation distribution to hospitals, that captures surges in COVID-19 admissions after June 10.

Last, we understand that HHS is establishing a portal to allow providers to request additional payments from the Provider Relief Fund by submitting data on incurred expenses and lost revenue related to COVID-19 response. America’s Essential Hospitals urges the agency to ensure the portal and corresponding submission process is accompanied by clear guidance for providers and adopts a transparent, fair approach. HHS must engage stakeholders, including national trade associations, to help facilitate dissemination of information and guidance related to the portal and any requested information. The agency also should work directly with providers to beta test any electronic or other submission process to identify any challenges prior to final implementation. Providers must have clarity on how increased expenses and lost revenue should be calculated before submitting any data to the agency. The agency also must allow providers ample time to enter requested information into the portal and provide robust technical support throughout the submission timeframe. It is imperative that the agency create a process that is fair, transparent, and does not result in disbursements from Provider Relief Fund based on a “first come, first served” basis. As noted above, these hospitals face an uncertain future and must be able to access additional relief dollars as they continue to respond to the evolving public health emergency. As such, HHS must ensure any portal used to request additional Provider Relief Fund payments is transparent, engages stakeholders, and gives clear guidance for providers.

As the nation continues to face this unprecedented public health emergency, it is imperative that HHS distribute the remaining Provider Relief Fund dollars to essential hospitals on the front lines serving vulnerable patient populations, often in high impact areas. At the same time, the agency must implement a transparent process for providers to apply for additional distributions from the Provider Relief Fund. America’s Essential Hospitals encourages HHS to prioritize Provider Relief Fund distributions to hospitals that have yet to see payments from any of the targeted allocations; issue another high-impact hospital allocation distribution for hospitals currently experiencing increases in COVID-19 admission; and engage stakeholders and set clear provider guidance for portals used to request additional relief payments.

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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