



AMERICA'S ESSENTIAL HOSPITALS

January 14, 2022

The Honorable Charles Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader Schumer, Speaker Pelosi, Leader McConnell and Leader McCarthy:

America's Essential Hospitals greatly appreciates the work of Congress in 2021 to support at-risk communities and patients and the health care providers who serve them. As we enter the third year of the COVID-19 public health emergency (PHE), we respectfully ask for Congress' continued aid to ensure essential hospitals can care for and anchor our nation's marginalized and underrepresented communities. As the latest variant surges clearly demonstrate, this pandemic, and its impact, is far from over. Multiple governors have declared states of emergency in the face of the delta and omicron variants. Hospitals are once again delaying and canceling non-emergency procedures and closing services, in some cases permanently, due to a lack of adequate staffing. A robust, healthy workforce is of the utmost importance right now; according to available federal data, reported COVID-19 hospitalizations are at an all-time high.¹

Essential hospitals urgently need further federal funding to mitigate crippling workforce shortages and ensure the health care safety net can continue to carry out its mission of health care access for all and eliminating health disparities and inequities. This is more important than ever for the communities essential hospitals serve—the same communities that have borne the brunt of the public health and economic impacts of COVID-19.

Imminent Needs

We are extremely grateful for the help Congress already provided through the Provider Relief Fund (PRF), coverage of COVID-related care for uninsured individuals, temporary increases in the Federal Medical Assistance Percentage (FMAP), and relief from looming federal payment cuts. We urge you to continue this relief through the duration of the PHE and consider the immediate needs outlined below.

¹ Kamp J, Evans M. Covid-19 Hospitalizations Reported in U.S. Hit New High. *Wall Street Journal*. January 11, 2022. https://www.wsj.com/articles/hospitals-are-strained-even-before-omicron-hits-11639946782?mod=article_inline. Access January 11, 2022.

EMERGENCY FUNDING FOR THE ESSENTIAL HOSPITAL WORKFORCE

Our members have incurred considerable costs in hiring and maintaining staff—especially nurses—to respond to the continued spread of COVID-19. Ongoing capacity challenges and the consequential emotional toll on staff remain evident. The pandemic has led to burnout on an unprecedented scale, and essential hospitals have expended significant resources to recruit and retain clinical and nonclinical staff—a costly undertaking in an already competitive marketplace.

Real-time workforce deficiencies at essential hospitals necessitate immediate relief, especially in underserved areas. **We urge Congress to establish an emergency funding pathway to meet the essential workforce needs of hospitals and other providers during PHEs and authorize and appropriate at least \$20 billion to fund this effort. Lawmakers should target these funds to providers with the greatest financial need and those who see high levels of low-income and at-risk patients.**

PROVIDER RELIEF FUND IMPROVEMENT ACT

Congress created the PRF in March 2020 in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PRF has been an absolute lifeline to essential hospitals. However, administration has not been without challenges, including a slow rollout to safety net providers most in need, as well as confusing and often-changing guidance from the Centers for Medicare & Medicaid Services (CMS) and Health Resources and Services Administration (HRSA).

We are grateful for the introduction of bipartisan legislation to improve the PRF, the Provider Relief Fund Improvement Act (H.R. 5963). This important bill would require HRSA to distribute remaining PRF funds by March 31, 2022, and allow more flexibility to use allocated funds through the remainder of the PHE, including for workplace security and safety measures.

We urge Congress to immediately take up and pass the Provider Relief Fund Improvement Act. This is incredibly vital and timely, as no distributions from the PRF have yet occurred or been announced for expenses related to the omicron variant. **We also encourage Congress to direct HRSA to target remaining or future PRF disbursements to safety net providers who see high volumes of low-income and uninsured or underinsured COVID-19 patients.**

Sustain Support to Providers Throughout the PHE

The mission-driven work of essential hospitals comes at a cost, and our members carry out their commitment despite limited means. Essential hospitals operate with constrained finances due to the disparity in reimbursements between public and private payers; their margins are one-third that of the average U.S. hospital.² It is critical Congress not prematurely end support that communities and providers rely on in the face of COVID-19.

MEDICAID

Medicaid is a lifeline for many populations served by essential hospitals and is an indispensable component of the financing patchwork on which our members rely. Medicaid disproportionate share hospital (DSH) payments provide immediate support and long-term sustainability to help maintain high-quality services for Medicaid and low-income populations. A change to the definition of Medicaid shortfall threatens DSH payments for a subset of essential hospitals.

² Ibid.

Section 203 of the Consolidated Appropriations Act of 2021 modified the uncompensated care adjustment for DSH payments to count only costs and payments for patients for whom Medicaid is the primary payer or who are uninsured. It provides an exemption to hospitals that, in the most recent cost reporting year, are in the 97th percentile for the number of inpatient days for Medicare patients also eligible for supplemental security income (SSI) benefits or the percentage of total inpatient days for Medicare patients also eligible for SSI compared to total inpatient days. For these hospitals, the limit is the greater of the DSH cap calculation provided under this bill or under the law as in effect on January 1, 2020.

Essential hospitals that see high numbers of Medicare patients are likely to be disproportionately and substantially penalized by the new Medicaid shortfall definition. Looming DSH cuts will hamper these hospitals' recovery from the COVID-19 PHE, perpetuating their financial challenges. **America's Essential Hospitals urges Congress to mitigate the impact of this provision with a technical fix that protects hospitals unintentionally harmed by the underlying policy change in section 203.**

Further, essential hospitals are grateful for Congress' efforts to help state Medicaid programs pay for increased costs associated with COVID-19 and continue to rely on the 6.2 percent point FMAP increase in the Families First Coronavirus Response Act. In the face of canceled elective procedures and reduced service lines, the enhanced FMAP carries even more weight. Given continued uncertainty about the trajectory of COVID-19 and rising hospitalizations, **America's Essential Hospitals encourages lawmakers to maintain the enhanced FMAP through the COVID-19 PHE as included in the Families First Coronavirus Response Act. After the PHE concludes, lawmakers should apply the gradual approach to removing the enhanced FMAP as included in the House-passed version of the Build Back Better Act.**

MEDICARE

Congress first placed a moratorium on the 2 percent Medicare sequester cut in the CARES Act, which became law March 27, 2020. Understanding the dire financial position many hospitals and health systems continue to face due to COVID-19, Congress has extended the moratorium several times. This relief is significant and must continue at least through the end of the PHE. **We urge Congress to reconsider the planned phase-in of the Medicare sequester cut starting this April and delay this phase-in until after the COVID-19 PHE.** Essential hospitals need every cent of their meager resources and cannot sustain cuts to Medicare in the midst of a pandemic that shows no sign of relenting.

Thank you for the opportunity to share the pressing and ongoing needs of essential hospitals and the health care safety net in the battle against COVID-19. We look forward to working with lawmakers to support essential hospitals and the marginalized communities we serve.

If you have any questions, please contact Senior Vice President of Policy and Advocacy Beth Feldpush at 202-585-0111 or bfeldpush@essentialhospitals.org.

Sincerely,

Bruce Siegel, MD, MPH
President and CEO