

April 16, 2020

The Honorable Alex M. Azar  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Secretary Azar:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners – including more than 270,000 affiliated physicians, 2 million nurses and other caregivers – and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) **appreciates the Department of Health and Human Services' (HHS) release of emergency funds to hospitals and health systems from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This initial round of funding is an important step toward giving our hospitals much-needed support and resources, but more funds are urgently needed. At the same time, the distribution formula needs to be modified.**

Hospitals are on the frontlines of the pandemic, and have been hit especially hard by the emergency. Many have canceled elective procedures and outpatient visits to empty beds and conserve personal protective equipment (PPE) in preparation for a surge in COVID-19 patients. The resulting drop in volume and revenue is threatening the financial stability of many hospitals, especially given that one-fourth were operating in the red prior to the pandemic. At the same time, other hospitals have seen an influx in COVID-19 cases, resulting in skyrocketing costs for PPE, labor, supplies and construction, among other expenses. America's hospitals and health systems, and our dedicated caregivers, urgently need additional assistance to help ensure we can continue to deliver the care that our patients and communities require. **Therefore, we urge the department to release substantial additional emergency funds to all hospitals in an expedited manner.** The initial round of funding began to provide hospitals and health systems with some much-needed relief, but simply was not of the magnitude necessary. **In addition to this second wave of funding to all hospitals, targeted relief is necessary for hospitals in hot spots, hospitals with a high**



**percentage of payments under Medicare Advantage, hospitals caring for high numbers of Medicaid patients, and rural hospitals.**

The CARES Act increased funding for the Public Health and Social Services Emergency Fund by \$100 billion in order to reimburse eligible health care providers for health care-related expenses or lost revenues that are attributable to COVID-19. HHS released \$30 billion last week, targeting funds based on providers' amounts of Medicare fee-for-service (FFS) payments. However, this money was disbursed to all providers who bill Medicare, with hospitals and health systems receiving only a portion. According to our estimates, hospitals received significantly less than their overall proportion of Medicare spending or overall health care spending resulting in payment from the emergency fund that represents a small fraction of what is needed. Hospitals continue to be in a crisis situation and time is of the essence. Simply put, hospitals should be at the front of the line when it comes to receiving assistance since they are the frontline in fighting this battle to combat COVID-19. **Thus, we ask you to immediately distribute substantial additional funds directly to all hospitals, including rural and urban short-term acute-care, long-term care and critical access hospitals, as well as inpatient rehabilitation and inpatient psychiatric facilities.** Funds should be distributed in an equitable manner, such as by bed size, total net patient revenue, or adjusted admissions.

**In addition, we urge HHS to make *additional* funds available to targeted groups of hospitals that either have a disproportionately high need or received proportionally less funds because the prior wave was distributed based on Medicare FFS payments.** Specifically, we ask that you distribute funds to:

- **Hot Spots:** Billions in additional funds should be distributed to “hot spot” areas to help offset the significant costs incurred by hospitals testing, diagnosing and treating COVID-19 cases. HHS could identify these geographic areas based on a variety of measures, such as COVID-19 admissions or “persons under investigation.” An equitable distribution, such as by bed size, total net patient revenue, or adjusted admissions, could be used to distribute funds to hospitals in these targeted areas of the country.
- **High Medicare Advantage (MA) Hospitals:** Hospitals that serve a high proportion of MA patients relative to FFS Medicare patients received disproportionately less payments in the first wave of funding. These hospitals should not be penalized because they treat a high number of Medicare patients with private insurance. HHS has supported beneficiary choice and the growth in MA coverage, such that one-third of Medicare enrollees were in MA plans in 2019. The distribution of funds based only on two-thirds of Medicare payments has resulted in significant underfunding for those that mainly treat MA patients.
- **High-Medicaid Hospitals:** Hospitals that serve a high proportion of Medicaid patients received proportionally less payments in the prior wave of funding given that the formula in the first stage was based strictly on Medicare FFS payments.

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It is critical that these hospitals receive additional funds as they care for the nation's most vulnerable.

- Rural Hospitals: Rural hospitals are in dire need – their small size and limited resources mean they are less able to weather financial fluctuations, especially of this magnitude. Indeed, even prior to the COVID-19 pandemic these hospitals were facing substantial challenges – 128 rural hospitals have closed since 2010, including eight already this year. These hospitals should receive additional funds to help ensure they are able to remain open and serve their communities.

Communities rely on America's hospitals and health systems to be there for them in times of emergencies. Whether that emergency develops in the form of a natural disaster, like a hurricane or tornado, or as a virus, like COVID-19, hospitals and health systems and the front-line providers who work in them are prepared to fulfill their commitment to their patients. Yet many hospitals are in dire circumstances as they face the biggest financial crisis in history. While our members continue to do everything they can to address COVID-19 cases, quickly making substantial additional funds available would help them continue to put the health and safety of patients and personnel first, and in many cases, may actually ensure they are able to keep their doors open.

We appreciate your leadership and the ongoing work of the White House Coronavirus Task Force. We look forward to continuing to work with you during this critical time to protect the health of our nation.

Sincerely,

/s/

Richard J. Pollack  
President and Chief Executive Officer