TEACHING HOSPITALS of TEXAS

June 5, 2020

The Honorable Alex M. Azar II
Secretary U.S. Department of Health and Human Services
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Washington, DC 20201
Secretary@hhs.gov

Ms. Seema Verma
Administrator Centers for Medicare and Medicaid Services
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Dear Secretary Azar and Administrator Verma:

Thank you for your leadership during the current pandemic. On behalf of the Teaching Hospitals of Texas, I write to strongly urge you to direct a portion of the remaining provider relief funds to hospitals providing a disproportionate share of care for Medicaid and uninsured patients. To date, and to quickly allocate funding, the Department of Health and Human Services has distributed funding to hospitals based first on CMS' Medicare fee for service payments; and secondly on hospitals' net patient revenues. While we appreciate the rapid distribution, both of the first two methodologies favor hospitals with already high revenues and financial support while penalizing hospitals like teaching and safety net hospitals that provide more Medicaid and uninsured care.

To equalize the allocation going forward, we urge CMS to:

> Allocate a minimum of $40 Billion for Medicaid Provider Relief funding and allocate a minimum of $25 Billion for Uninsured Treatment Provider Relief funding. These amounts compare proportionally to the $30 Billion allocated to Medicare providers from the $100 Billion in the CARES Act. These amounts also include additional allocations from the $75 Billion added to the Provider Relief fund in the Stimulus 3.5 package.[i]
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> Create a $10 Billion COVID-targeted fund for hospitals treating a high volume of COVID-19 patients after the April 10, 2020 end date used in the first COVID-targeting allocation.

While HHS has provided funding out of the $100 Billion Provider Relief fund in the CARES Act for uninsured treatment costs, it provides no guaranteed amount or specific allocation for those costs. Providers caring for the for uninsured should have a defined, allocated funding source to count on. Further, HHS has yet to identify a specific allocation for Medicaid providers. Allocations to date disadvantage providers partnering with HHS to serve Medicaid and individuals without insurance as identified in recent reports and studies.[1]

[1] https://www.kff.org/coronavirus-policy-watch/a-look-at-the-100-billion-for-hospitals-in-the-cares-act/

Even a proportional allocation as used in our recommendations will not remedy the COVID-related financial losses endured by safety net providers.

Because of their missions, safety net providers receive less revenue and lower reimbursements than providers predominantly caring for commercial patients. A Net Patient Revenue allocation therefore penalizes them. For example, the CBO in 2017 concluded that commercial rates were on average 89% higher than Medicare rates.[2] That means providers seeing more commercial patients would have, on average, 89% more revenue than those seeing Medicare patients.

In states like Texas, Medicaid rates are significantly lower than Medicare, and uninsured support is lower still. Medicaid rates, including supplemental payments, did not cover safety net hospitals' costs even before the COVID-19 pandemic. Texas data submitted as part of Texas' waiver renewal showed that Medicaid hospital base payments covered just 68.8% of the Medicaid allowable costs of care on average; and only 51% of costs for large safety net hospitals.[3] Supplemental payments helped but left a quarter of the Medicaid allowable costs unfunded on average, with over 30% unfunded for large safety net hospitals. Even with our increased UC pool size starting this year, and additional IGT funded rate increases, with Texas' additional uncompensated care growth and increasing uninsurance rates, Medicaid payments do not cover the costs of care for safety net hospitals.

The pandemic exacerbates this underfunding even as safety net providers, including teaching hospitals, provide the high levels of care required by COVID-19 patients and typically care for populations that are at higher risk for needing hospitalization for COVID-19.[4] And with the economic downturn, safety net providers' smaller reserves and public funding mean they will have less of an ability to maintain services or depend on additional local resources.

Finally, while HHS targeted a share of funding to hospitals serving a significant amount of COVID patients, to quickly allocate funding the cutoff date was April 10. Hospitals in states like Texas had their COVID patient surges after April 10 and were largely excluded from that allocation. Those hospitals should receive funding for high volumes of COVID patients served after April 10.

To ensure that providers serving Medicaid and uninsured patients receive funding at a minimal equitable level, we strongly recommend that:

- HHS target a total of at least of $40 Billion for Medicaid providers and a total of at least $25 Billion for treatment costs for uninsured patients.

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https://www.nytimes.com/2020/05/25/business/coronavirus-hospitals-bailout.html?referringSource=articleShare

[2] https://www.cbo.gov/system/files/115th-congress-2017-2018/presentation/52819-presentation.pdf

[3] HMA/ HHSC report found at: https://hhs.texas.gov/sites/default/files/documents/laws-regulations/reports-presentations/2016/eval-uncompensated-care-medicaid-payments-tx-hospitals-role-tx-uc-pool-aug-2016.pdf

[4] https://www.kff.org/coronavirus-covid-19/issue-brief/low-income-and-communities-of-color-at-higher-risk-of-serious-illness-if-infected-with-coronavirus/ and see also pages 4 and 5 highlighting patient demographics of essential hospitals: https://essentialhospitals.org/wp-content/uploads/2020/05/Essential-Data-2020_spreads.pdf

- HHS use the Medicaid data it is currently collecting as a basis for the Medicaid distribution of at least $40 Billion; or alternatively use Worksheet S10 of the Medicare cost reports, Line 7 (Medicaid costs).
- HHS use S10 data, specifically, hospital-specific data from Worksheet S10 of the Medicare cost reports Line 30 (uninsured and bad debt costs) from the most recent cost report filed on or before 9/30/2019 to identify each reporting hospital's proportional share of all such costs nationally.
- HHS provide additional targeted funding of $10 billion to providers with high COVID patient stays after April 10.

Thank you for your work and please let us know if you have questions or we can provide additional information about the crucial role of safety net providers and their challenges especially during this time.

Sincerely,

Maureen Milligan, Ph.D.
President and CEO
Teaching Hospitals of Texas

[i] The proportional methodology used here is based on CMS' National Health Expenditure Data, which identifies Medicare expenditures as 21% of the total National Health Expenditures (NHE) in 2018. Using the $30 billion Medicare allocation from the CARES fund for the 21% of NHE comprised by Medicare, we calculated a similar proportional allocation for Medicaid (16% NHE in Medicaid) and 10% NHE (out of pocket/unfunded) from the $100 Billion CARES pool. Those amounts also are proportionally applied to the Stimulus 3.5's additional $75 Billion to calculate total minimums shown in the table below.

Payor	**Percent of National Health Expenditures***	**HHS $100 Billion Initial Provider Relief Payment**	**Calculated Multiplier****	**Related share of $75B in Stimulus 3.5**	**Total Minimum Allocation**
Medicare	21%	$30 Billion	143	22.5 Billion	$52.5 Billion
Medicaid	16%	$23 Billion	143	$17.3 Billion	$40 Billion
Uninsured	10%	$14 Billion	143	$10.5 Billion	$25 Billion

*https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet

2018 National Health Expenditure (NHE) Data:

Medicare spending 21 percent of total NHE.
Medicaid spending 16 percent of total NHE.
Uncovered/ out of pocket spending 10 percent of total NHE.

**Medicare payments of $30 billion for 21% of National health expenditures used as a proportional allocation basis results in a multiplier of 143. Equitable payments to other provider types for the first $100B in Provider Relief funds results in the allocations shown in the table (NHE% times 143). A 75% increase is added for the Stimulus 3.5 Provider Relief Fund of $75 Billion and the final total minimum allocation is shown in the last column.

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