EVENT RECAP:

AN EXPERT DISCUSSION ON THE PROVIDER RELIEF FUND

Overview

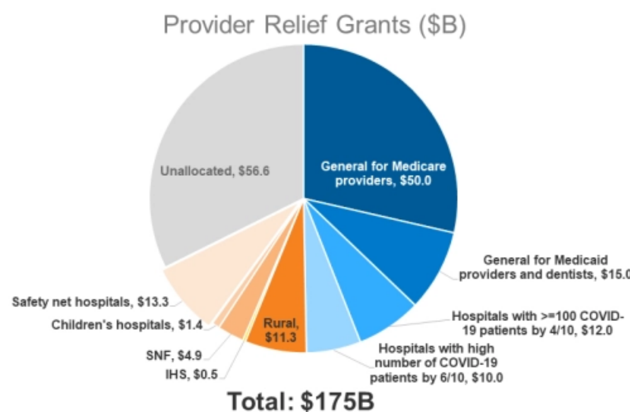
Health care providers are facing prolonged financial pressure as COVID-19 continues to spread across the U.S. Congress and the administration have pursued several actions to deliver aid to hospitals, health systems, and outpatient health care practices. The largest source of federal aid is the Provider Relief Fund. Through several COVID-19 relief packages (CARES Act and Paycheck Protection Program and Health Care Enhancement Act) Congress has allocated $175 billion to this fund to support a range of health care entities treating patients with COVID-19 and attempt to mitigate revenue losses brought on by a drastic decline in the utilization of other health services. The Department of Health and Human Services has released the Provider Relief Fund in several waves, but some providers most in need have faced barriers to access these funds and many continue to grapple with immense revenue losses.

Questions & Answers

How has the relief fund been distributed to date among different health care entities?

“Congress gave Department of Health and Human Services (HHS) very little guidance on how this $175 billion in grants should be distributed. They essentially said that the money should go to healthcare entities and could be used either for expenses related to COVID-19 or for lost revenue due to the pandemic.” – Karyn Schwartz, Senior Fellow, Kaiser Family Foundation

Announced Provider Relief Allocations as of Aug. 19, 2020



NOTES: $15B for Medicaid providers and dentists includes grants amounting to 2% of income for providers who missed the application for Medicare providers or had a recent change in ownership; $12B for hospitals with at least 100 COVID-19 patients by 4/10 includes $2B for safety net hospitals; some numbers reported by HHS are approximate. SNF is skilled nursing facility, IHS is Indian Health Service.
SOURCE: KFF analysis of HHS announcements regarding provider relief grant allocations

How have hospital and ambulatory care providers been financially impacted by the pandemic?

“Hospitals across the United States had to prepare for the COVID cases, so they assumed the responsibility for additional expenses in order to take care of the COVID cases. What happened next was the real financial damage, many hospitals decided that because of the COVID situation they had to stop

elective surgeries and elective outpatient services from coming to the hospital. In other cases, it wasn't the hospital's decision but rather a regulatory decision that many mayors and governors across the United States instructed hospitals to stop servicing elective surgeries. This went on for roughly two months and hospitals revues across the country generally wound up being about half of the budget. **Take it that a hospital expected to have revenues in the month of April of 100 million, many of those hospitals ended with 50 million. The loses were dramatic in every size and type of hospital in the United States."** – Kenneth Kaufman, MBA, Managing Director & Chair, Kaufman Hall

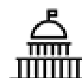
"It's important to keep in mind that that from a budget point of view, we (the U.S.) didn't plan for this and we've been carrying very deep debt for many years. That debt seems to be about the size of the economy and in an economy that's shrinking, meaning the ability to pay that off is somewhat compromised." – Mark Miller, Ph.D., Executive Vice President of Health Care, Arnold Ventures

Negative outlook: Recovery continues, but likely uneven and challenging

Uneven volume recovery with COVID-19 ebbs and flow makes it challenging to determine new normal.

Recessionary environment could result in payer mix shifts and further volume declines.

Revenue weakness coupled with expense increases will likely keep operating margins depressed for the remaining part of 2020 and going into 2021.



Federal stimulus grants and Medicare advance payments (MAP) helpful, but much uncertainty remains and as MAP starts being re-paid for many this month.

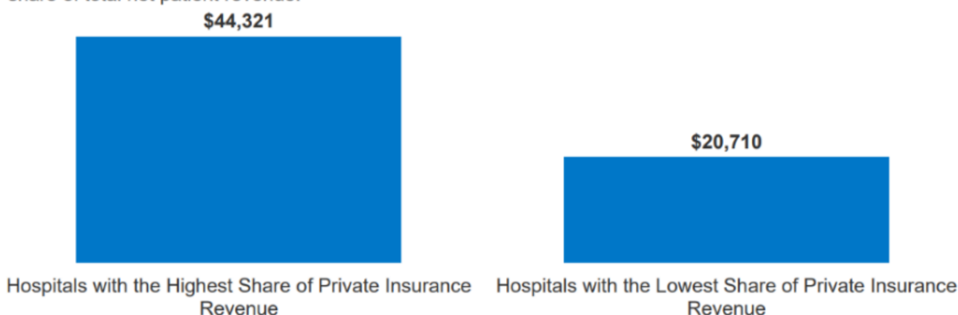
- Credit fundamentals matter
- Stronger credits should be able to better withstand the pressures from the COVID-19 pandemic, but prolonged stress could cause us to revisit that view
- Credit quality gap may widen. Hospitals need to invest in capital, technology, and future strategies and maintaining financial strength will be key
- Other post COVID-19 considerations for hospitals include health policy decisions, ongoing evolution of technology investment in health care, and reimbursement models

S&P Global Ratings

How has the pandemic impacted health equity and patient's access to health services?
"We haven't seen equivalent money for non-hospital providers. So, things like Community Health Centers and local clinics that may see more uninsured patients or more patients on Medicaid. They maybe don't command as high rates form private insurance and they similarly were disadvantaged by the formula of the grants." – Karyn Schwartz, Senior Fellow, Kaiser Family Foundation

Formula HHS Used Rewards Providers with More Revenue from Private Insurers

Relief funds per hospital bed for hospitals in the top and bottom decile of private insurance revenue as a share of total net patient revenue:



Note: Hospitals with missing data were excluded
Source: KFF calculations based on analysis of data from RAND Hospital Data tool for analyzing the data in the CMS Healthcare Cost Report Information System (HCRIS)

“This is a problem that’s been in the making for 100 years and has to do with the way care is provided in communities of color. The lack of access, the lack of convenience, and the lack of Primary Care Physicians. The ability to quickly identify developing problems like diabetes and obesity and other, and then find a community appropriate way of dealing with those issues. We’ve all worked to create this problem and it’s going to take quite a while to fix. It’s going to take a completely different attitude on the part of our health care system, on the part of our state, and federal government to try and figure out how to change this so that next time one of these pandemics comes, it’s an equal opportunity problem, not a problem that is disproportionately burdened by communities of color.” – Kenneth Kaufman

What factors should policymakers consider as they weigh additional options to support providers?

“It is not unreasonable to ask for things like refraining from surprise billing for 2020 or 2021. Or refraining from price increases that are faster than inflation for 2020 or 2021. To the extent that we can control our health care costs then families and businesses have a better shot at getting back on their feet and back to work.” – Mark Miller

“If feasible, perhaps having some sort of predictive modeling that would be reliable enough to base funding on.” – Billy Wynne, J.D., Chairman, Wynne Health Group

“Congressional Black Caucus (CBC) had a package of proposals to address racial inequity, some of which were included in CARES Act. Just to try and specifically address racial inequity and protect minority communities. One requirement is that CDC track racial demographic data when it comes to the pandemic spread and testing rates. They also had about half a billion dollars, specifically targeted to Historically Black Colleges and Universities to continue their mission and operations during the pandemic. So, there have been some efforts to directly address racial inequity, but it’s hard to resolve racial inequity and racism on the fly like we are doing, it seems like we need to take a step back and look at the racism that exists in our health care system.” – Billy Wynne

"Medicare advanced payments and either forgiving some of them or stretching them out and making a more favorable time period for hospitals to pay that back." – Karyn Schwartz

"In terms of capitated revenue as a system, it has certainly helped maintain revenues at a time when everything was going south for fee-for-service side. It does seem like be impetus to keep pushing that kind of reimbursement or that payment change forward.” – Suzie Desai, MBA, Senior Director, Not-For-Profit Health Care, U.S. Public Finance Ratings, S&P Global

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Resources

"Limitations of the Program for Uninsured COVID-19 Patients Raise Concerns." Schwartz, K., and Tolbert, J. Kaiser Family Foundation. July 17, 2020. Available at allh.us/kVWQ.

"The Effect of COVID-19 on Hospital Financial Health." Kaufman Hall. July 2020. Available at allh.us/3Bvc.

"Options to Support Medicaid Providers in Response to COVID-19." Musumeci, M., Rudowitz, R., Hinton, E., et. al. June 17, 2020. Available at allh.us/dJC6.

"A Bumpy Recovery Is Ahead for Hospitals and Other Health Providers as Non-Emergent Procedures Restart." Peknay, D., and Desai, S. S&P Global Ratings. May 26, 2020. Available at allh.us/btVv.

"COVID-19 Webinar Series Session 16 – The Changing Landscape of Primary Care." Alliance for Health Policy (webinar). May 20, 2020. Available at allh.us/Dcnr.