

United States Senate

WASHINGTON, DC 20510

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:

Thank you for the efforts of the Department of Health and Human Services (HHS) to address the extreme strains posed by the coronavirus (COVID-19) pandemic on our nation's heroic health care providers, including through quick implementation of the *Coronavirus, Aid, Relief, and Economic Security* (CARES) Act. On April 10, HHS awarded the first \$30 billion out of \$100 billion in direct grant funding to health providers to assist with coronavirus-related expenditures and lost revenues. We write to express our concern about the front-line health providers and settings that were excluded from, or inadequately supported through, this first round of CARES Act funding.

Given these pressing concerns, we urge you to alter the methodology for the next round of CARES Act funding to better reflect the unique contributions of children's hospitals, hospitals that serve a disproportionate share of Medicaid and uninsured patients, and rural hospitals, as well as hospitals that serve communities with higher volumes of COVID-19 cases.

The funding awarded by HHS on April 10 was allocated based upon a health care institution's Medicare Part A and B claims from 2019. While we recognize and appreciate that this approach allowed HHS to distribute funding quickly, we are deeply concerned that it did not properly recognize hospitals facing an outsized burden of COVID-19 cases, including those in geographic hot spots. Further, it may have provided relatively higher levels of funding to certain Part B providers who are less directly engaged in responding to this public health emergency.

Hospitals that have a high percentage of Medicaid and charity care patients, including safety net hospitals and public hospitals, are under extreme financial strains as they both treat a larger share of COVID-19 patients and are insufficiently recognized by a Medicare fee-for-service formula. Given the higher rate of racial minorities treated by these high-Medicaid and uninsured mix hospitals, and the alarming disparities in COVID-19 mortality among patients of color, it is essential that these hospitals be supported in a commensurate manner. The next round of funding must recognize Disproportionate Share Hospital (DSH) allotments or other Medicaid-specific criteria to capture this essential provider setting.

Further, the initial formula almost entirely excluded children's hospitals, given their lack of Medicare claims, despite children's hospitals losing tens of millions of dollars each month during this pandemic—due to cancelled surgical and outpatient procedures, personal protective equipment (PPE) acquisition, and efforts to treat and rule out COVID-19 cases. Congress did not intend for these community resources to be excluded from the \$100 billion health fund.

Finally, rural hospitals entered the COVID-19 response from an existing position of financial vulnerability. Approximately half of rural hospitals were operating on negative margins, one in four were at risk of closure even before facing this new pandemic threat, and rural hospitals typically treat a patient population that is older and sicker. We have already seen some rural hospitals close since the beginning of this outbreak, which can have devastating consequences for patient health and the local economy. Given the shifting transmission of the virus to more rural communities, the methodology for the second funding allotment must acknowledge the unique position of rural hospitals and reimburse them properly.

We are pleased that HHS officials have acknowledged on multiple occasions the shortfalls of the initial funding formula, including by specifically mentioning the need for adjustments to more equitably distribute funds to these vulnerable hospitals. As HHS prepares to allocate the next round of funding appropriated by Congress through the CARES Act, we urge you to prioritize children's hospitals, hospitals with high rates of Medicaid and uninsured patients, and rural hospitals, all of which are on the front lines of this unprecedented health emergency and were insufficiently supported through the first tranche of grants.

Thank you for your swift action and dedication to our health providers and the patients and communities they serve as we work together to address this public health challenge.

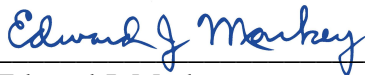
Sincerely,



Richard J. Durbin
United States Senator



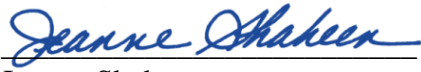
Tammy Duckworth
United States Senator



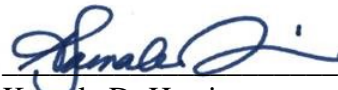
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