



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

February 8, 2021

Sent electronically

Dear Members of the California Congressional Delegation:

On behalf of the 40 million Californians who rely on our state's hospitals and health systems, thank you for your commitment to supporting our fight against the COVID-19 pandemic, caring for our patients, and protecting our health care heroes. We are grateful for the financial and regulatory support provided to date, but much more is urgently needed. As we have seen most acutely in California in the last two months, the pandemic not only continues but is impacting hospitals and communities in unprecedented ways.

We ask for your continued support as you work with your colleagues in the new 117th Congress to provide critical help to hospitals and front-line caregivers as well as the state and local health departments, with whom we are partnering to vaccinate our employees, the elderly, and essential workers. For the next COVID-19 relief package, CHA respectfully requests that legislation include several critical actions to support patient care, sustain our workforce, and preserve our health care infrastructure.

First and foremost, as hospitals face both a financial crisis and a public health/ pandemic response crisis, they need support in the following ways:

1. Expand and improve the Provider Relief Fund
2. Forgive the loans from the Medicare Accelerated and Advance Payment Program repayment
3. Extend the delay in sequestration cuts for the duration of the Public Health Emergency

The pandemic has devastated California's economy, and hospitals are no exception. Hospitals answered the call to respond to COVID-19 quickly and with an extraordinary investment. They immediately created additional physical space, purchased protective and clinical equipment, hired more staff, and suspended many non-emergency services. These enormous operational and resource challenges have placed an unparalleled strain on hospitals. Without federal aid to offset hospitals' financial losses, patients and communities will suffer.

The recent surges in California have been the most intense and geographically widespread to date, depleting resources and putting a severe strain on our most valued resource — our care teams. In the spring, California hospitals treated a daily average of about 3,700 COVID-19 patients, with almost 1,200 of those being treated in ICUs. In December, those numbers rose to 16,900 average daily hospitalizations and 3,600 patients in intensive care. The averages for January were even higher. This surge upon surge has put taken a tremendous toll on hospitals, our workforce, and communities — and notably, there have been no hotspot Provider Relief Fund distributions since last summer.

The federal assistance to date has helped California's hospitals to some extent but does not put a dent in the work that remains to protect the stability and long-term financial viability of California's health care

delivery system. Early and conservative estimates put California hospitals' losses through the end of 2020 at more than \$14 billion ([The Financial Impact of COVID-19 to California Hospitals, June 2020](#)). However, our hospitals have received just under \$8.6 billion in federal relief. An even more recent report notes that three-quarters of hospitals and health systems are concerned about the financial viability of their organizations, and one-third saw year-over-year operating margins decline more than 10% during the second quarter of 2020.

To help address all these ongoing challenges, California's hospitals need three urgent actions:

1. Expand the Provider Relief Fund

Hospitals and health care systems need continued federal funding to offset massive revenue losses as they continue to incur major expenses related to increasing bed capacity, purchasing personal protective equipment (PPE), and hiring needed staff.

The Public Health and Social Services Emergency Fund — known as the Provider Relief Fund (PRF) — was established and funded by the CARES Act and supplemented by subsequent legislation. The fund has been an important first step toward overcoming the financial challenges facing hospitals. However, as the pandemic continues, it is clear that much more will be needed for hospitals to continue to provide the high-quality care Californians deserve.

As an example of the gap between how CARES Act funds are allocated and what is needed, California's hospitals have so far received about 5.7% of the fund distributions — despite the fact that they care for about 12% of the nation's population. [This infographic](#) shows the wide disparity between the COVID-19 case load and funds received to date from the PRF. Future distributions from the PRF must account for hospitals' financial losses and investment in preparing for the pandemic, along with the direct cost of care for COVID-19 patients. *The future stability of our health care delivery system depends on additional and specifically targeted funding for hospitals.*

2. Improve the Medicare Accelerated and Advance Payment Program

Hospitals are grateful for Congress' authorization and the Centers for Medicare & Medicaid Services' swift action to implement the Medicare Accelerated and Advance Payment Program. This program, established in the CARES Act, has quickly moved billions in much-needed Medicare funding to hospitals and other providers nationwide. Congress has also responded with helpful modifications to the program to reduce the interest rate and extend the repayment terms.

Congress should act to forgive these loans. As the pandemic continues to expand, hospitals are faced with an escalation of both the public health and economic crises. The Medicare Accelerated and Advance Payment Program has been a vital lifeline to California's health care providers, but now that we have a better understanding of the depth of the pandemic, these loans must be forgiven.

3. Delay Sequestration

For years, Medicare payments to providers have been subject to a 2% reduction due to sequestration. Since the beginning of the pandemic, Congress has acted to delay sequestration to help keep much-needed funds available to providers. The current delay expires at the end of March; *it should be extended through the public health emergency.*

As our state labors to climb out from under the economic and societal devastation wrought by COVID-19, it is vital that its hospitals — and the critical community care they deliver — are secure. We cannot reignite our state's economy, the largest in the nation, without the health care safety net that hospitals provide.

Thank you for your continued support and attention to the needs of California's hospitals and the patients they care for.

Sincerely,

A handwritten signature in blue ink that reads "Carmela Coyle". The signature is written in a cursive, flowing style.

Carmela Coyle
President & CEO