



May 14, 2020

The Honorable Ralph S. Northam
Governor of the Commonwealth of Virginia
Patrick Henry Building
1111 E. Broad Street
Richmond, VA 23219

Re: Coronavirus Hospital Stabilization and Relief Program

Dear Governor Northam:

Just over two months ago, Virginia documented its first positive case of COVID-19. Since that time, Virginia's hospitals and health care systems and the more than 125,000 people they employ have risen to face this threat and the unprecedented challenges it poses. The Virginia Hospital & Healthcare Association (VHHA) and its members are proud of the partnership forged with your Administration in leading the health care response to the COVID-19 pandemic. VHHA members lead, and actively participate in, more than 20 work groups, committees, and task forces with the Virginia Department of Health (VDH) and other state agencies to ensure coordination and communication during the pandemic.

While federal support and the pandemic's effects are still unfolding, additional financial assistance is necessary to stabilize the Commonwealth's health care delivery system and maintain access to much needed care. In the current environment, hospitals in Virginia are losing in excess of \$25 million in net revenue per day, or \$750 million a month, due to decreased patient volume. In recognition of these realities, Virginia's hospitals respectfully request your support for the creation of a Coronavirus Hospital Stabilization and Relief Program. This can be accomplished by the state setting aside a minimum of \$1.0 billion out of the \$3.1 billion received from the CARES Act. Additional details regarding the program can be found on the attached addendum.

To put this request in context, there are several factors that should be considered in support of the immediate need for these funds. In the midst of this pandemic, the majority of Virginia's hospitals are expected to pay more than \$400 million annually for the state's share of Medicaid coverage for more than 400,000 Virginians; the next quarterly payment of \$108 million is due July 1, 2020. Medicaid supplemental payments, which are based on the amount of Medicaid services provided, offset some of the cost of expansion coverage but are expected to be dramatically lower as this pandemic and its aftereffects persist. While federal emergency funds are explicitly not available to reimburse states for Medicaid costs, it is important to recognize that rising hospital assessments to cover a growing expansion population, alongside reduced reimbursements, will cause additional financial hardship at an already difficult time for hospitals.

Hospitals have received direct funding from the federal government; however, those funds are insufficient to cover the costs hospitals and health systems have incurred over the course of the pandemic. Nor do they come close to mitigating the financial hardship hospitals are experiencing. Hospitals across Virginia only received approximately 43 percent, or \$461 million, of Virginia's initial allocation from the Public Health and Social Services Emergency Fund. The remaining funds were distributed to other Virginia health care providers, such as physicians and Skilled Nursing

Facilities (SNF). For reference, this amount represents approximately 7.3 days of net revenue for Virginia hospitals, based on 2018 data. Last week, the Centers for Medicare & Medicaid Services (CMS) announced the distribution of another \$22 billion in funding. Four Virginia hospitals hardest hit by COVID-19 will receive \$75 million in funding. Of the amounts designated for rural areas, Virginia's rural acute care hospitals, critical access hospitals, rural health clinics, and community health centers will receive \$134 million. While additional funding is expected, subsequent distributions to hospitals will be further reduced due to new allocation methodologies.

Given the diversity of needs for the Commonwealth's more than 100 hospitals, and the fact that outbreaks and surges may come in several waves in the months ahead, we believe that establishing this Coronavirus Hospital Stabilization and Relief Program is the most effective way to help cover the costs outlined above.

Thank you in advance for your consideration and your ongoing leadership during this difficult time. The COVID-19 pandemic will change the Commonwealth and our health care system forever. We look forward to our continued partnership in the coming days, months, and years ahead. Virginia's hospital and health systems remain committed to improving access to care; enhancing health care safety, quality, and service; promoting a vibrant, high-value health care system; and population health to promote health and economic opportunity for all Virginians.

Sincerely,

A handwritten signature in black ink that reads "M. McDermott" with a stylized flourish at the end.

Michael P. McDermott, M.D.
President & CEO, Mary Washington Health System
Chairman, VHHA Board of Directors

cc: The Honorable Janet D. Howell
The Honorable Richard L. Saslaw
The Honorable Thomas K. Norment
The Honorable Emmett W. Hanger

The Honorable Luke Torian
The Honorable Mark D. Sickles
The Honorable Eileen Filler-Corn
The Honorable Todd Gilbert
The Honorable Kirk Cox

The Honorable Aubrey Layne, Secretary of Finance
The Honorable Dan Carey, Secretary of Health and Human Resources
Mr. Clark Mercer, Chief of Staff, Office of the Governor
Mr. Matt Mansell, Director, Office of Policy and Legislative Affairs, Office of the Governor
Mr. Marvin Figueroa, Legislative Director, Office of the Governor
Ms. Gena Berger, Deputy Secretary of Health and Human Resources
Mr. Joe Flores, Deputy Secretary of Finance
Ms. Susan Massart, Legislative Fiscal Analyst, House Appropriations Committee
Mr. Mike Tweedy, Legislative Fiscal Analyst, Senate Finance Committee

Addendum

Development of Criteria for the Coronavirus Hospital Stabilization and Relief Program

We respectfully request the opportunity to work with the Secretary of Health and Human Resources and the Secretary of Finance to establish specific criteria to be used for the distribution of program funds. The criteria would take into consideration the funds that hospitals have received directly from the federal government and the degree to which each hospital and health system has been adversely impacted by the pandemic response.

Hospitals and health care systems have implemented extensive emergency preparedness and operational plans to prepare for surge, enhance testing capacity, and protect our front-line health care workers and hospital staff. Virginia's hospitals continue to do everything in their power to promptly screen, test, and treat patients affected by COVID-19. We also continue to provide treatment and care in a safe environment for Virginians who require emergency or other medically necessary care unrelated to COVID-19.

In keeping with the Department of Treasury's guidance, we recommend that the program provide direct financial resources and support to ensure stability and continuity of hospital workforce and operations to serve communities across the Commonwealth, including but not limited to costs associated with the areas outlined below.

Surge Capacity Planning

While the state conducted initial planning to stand up alternative care facilities (ACFs), these plans and associated costs were discontinued in large part due to the quick action of hospitals to significantly expand capacity to treat COVID-19 patients, including retrofitting buildings and other structures.

Testing and Supplies

Health systems have incurred significant costs to create statewide access to COVID-19 testing, including the purchasing of new equipment to provide rapid diagnoses, establishing drive through testing, assisting with community testing and contact tracing, and purchasing other necessary supplies. In addition, hospitals have had to consume and conserve large volumes of personal protective equipment (PPE) supplies and have spent a significant amount of money on those resources as well as the acquisition of ventilators and other equipment needed to treat COVID-19 patients and protect health care workers and the public.

Health Care Workforce

Hospital workers have been rightly lauded by the public as community heroes. An important function of this Program would be to provide paid sick leave and overtime pay for front line health care workers, as well as retroactive hazard payments for the duration of this pandemic. Additionally, some hospitals are providing childcare, housing, and transportation for frontline caregivers and other employees in order to maintain safe quarantine environments.