

March 19, 2020

To the Honorable Members of the North Carolina Congressional Delegation:

Please act immediately to establish a healthcare stabilization fund to alleviate financial strain on hospitals and health systems and ensure healthcare services can be delivered during, and after, the COVID-19 crisis.

As the COVID-19 pandemic becomes more prominent in North Carolina, hospitals and health systems remained committed to serving the healthcare needs of our patients and communities. Given the expected strain on the healthcare system, we are concerned about their ability to serve their communities due to anticipated financial pressures in the coming months. Liquidity issues are imminent given:

1. Incremental costs will occur to treat patients while also limiting the spread of the disease.
2. Revenue reductions will occur as elective procedures are foregone.
3. Payers' ability to process claims promptly will be diminished.

Hospitals and health systems have already taken steps to protect employees and communities, which have resulted in incremental costs ahead of anticipated patient surge. Costs such as childcare for healthcare workers, overtime for healthy employees, patient screening stations, adequate inventory of medical supplies including personal protective equipment have been incurred by hospitals and health systems, with some costs being unreimbursable by government and private payers. Additionally, hospitals are concerned about significant increases in unemployment, expecting increases in uncompensated care.

Many hospitals and health systems across North Carolina have taken guidance from State and Federal officials and canceled elective procedures for the foreseeable future. Although patient volumes are expected to surge at the hospital, canceled elective procedures will harm hospital liquidity since these procedures supplement lower reimbursed services such as emergency care for COVID cases.

While hospitals and health systems are incurring incremental costs, there is no guarantee that payers will be able to process claims properly. Payer call centers are being closed to limit further spread of COVID-19. Hospitals and health systems rely on proper claims processing in their standard operating environment. Reimbursement for services provided is more important now than ever to ensure services can continue to be provided to local communities.

NCHA is requesting that a healthcare stabilization fund be established to reimburse for marginal costs incurred to treat and prevent the spread of COVID-19 and to ensure hospitals and health systems are adequately capitalized to treat patients and protect healthcare workers. North Carolina alone will need \$3 billion of direct assistance.

This \$3 billion amount was determined using data that anticipates the increase in healthcare expenses to our entire nation as a result of COVID-19. NCHA determined the expected increase in cost to North Carolina using this data. We adjusted this prediction for the increased uncompensated care that will result from payer availability issues and the increase in the uninsured population.

Finally, given the financial stress on hospitals due to their response to the pandemic, it is imperative that there be a withdrawal of any pending CMS actions that potentially reduce hospital



payments, including the Medicaid Fiscal Accountability Rule (MFAR). Similarly, a suspension of the Medicare sequester and permanent repeal of cuts to the Medicaid Disproportionate Share Hospital payments would be appropriate given the magnitude of our frontlines response at this time.

Sincerely,

A handwritten signature in black ink, appearing to read "S. J. Lawler". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen J. Lawler
President and CEO
North Carolina Healthcare Association

