



Private
Essential
Access
Community
Hospitals

California's Community Safety Net Hospitals
Essential to Access, Essential to Health

May 14, 2020

Dear Member of Congress:

PEACH – Private Essential Access Community Hospitals of California – appreciates everything you and your fellow members of California's congressional delegation are doing to help us help our communities and our patients through the greatest public health challenge any of us have seen in our lifetimes. You have listened and responded with so much of the assistance we need and have done so in a very timely manner.

You continue to focus on our needs with the release of H.R. 6800, the Health and Economic Recovery Omnibus Emergency Solutions Act ("HEROES Act"). We are writing to express our support for five specific components of that proposal.

First, as private community safety-net hospitals that are on the front lines in the fight against COVID-19, we support the proposed inclusion of an additional \$100 billion for the Provider Relief Fund to help hospitals with this fight. Among the various types of hospitals, California's private community safety-net hospitals were among those struggling most when this crisis arose, with limited resources and small margins. The combination of the significant investments needed to prepare for and then care for COVID-19 patients and the revenue lost from suspending non-urgent procedures made a challenging situation even worse, and the assistance Congress has already provided has been a true lifeline for hospitals like ours. Those challenges continue today, and we appreciate your understanding of our problem, your consideration of a proposal to supplement this previous assistance, and your interest in addressing the challenge of ensuring that this money gets to the hospitals that need it most.

Second, we support the provision in H.R. 6800 that would prevent finalization of the Medicaid fiscal accountability regulation (MFAR) for the duration of the COVID-19 pandemic. If implemented, MFAR would deprive states of important, established state policy-making prerogatives; create major new administrative burdens for state governments and for hospitals at a time when we can least afford them; inappropriately regulate financing of California's share of Medicaid spending – again, something states and hospitals can ill-afford at this particular time; and impose new, unspecified standards for which state Medicaid programs would be held accountable. PEACH urges you to prevent implementation of MFAR.

Third, PEACH supports the provision in H.R. 6800 that would increase the federal medical assistance percentage (FMAP) for the duration of the public health emergency. Private community safety-net hospitals are providing enormous amounts of care to Medicaid patients with COVID-19 and these hospitals, and Medi-Cal, will need these additional resources in the months ahead. It is impossible to overstate the importance of adequate Medicaid funding for California: Medicaid covers 13 million Californians, one out of every three residents of our state, and PEACH hospitals serve especially high proportions of Medicaid patients and are therefore especially dependent on Medicaid to pay for the care we provide to them.

Fourth, we support increasing states' Medicaid disproportionate share (Medicaid DSH) allotments by 2.5 percent. Again, hospitals are caring for large numbers of patients while experiencing unprecedented

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declines in revenue, and additional Medicaid DSH funding would help them address this challenge. At the same time, we also urge you to include in future legislation a delay in the implementation of Affordable Care Act-mandated cuts in Medicaid DSH allotments to the states. Congress has graciously delayed this cut several times, with the most recent delay scheduled to end on November 30. Hospitals would see little benefit if this legislation increases Medicaid DSH allotments 2.5 percent at the same time those allotments were being cut \$4 billion – California's private community safety-net hospitals share of that cut would be \$181 million and the state's hospitals all together would lose \$579 million in FY 2021 – so we urge you to delay again the Medicaid DSH allotment cut at the same time you increase those allotments 2.5 percent.

Finally, PEACH supports the provision in H.R. 6800 that calls for reducing interest rates and lengthening the payback period for money provided to hospitals by the federal government through the Accelerated and Advance Payment Program. Even though that program was created by the CARES Act just a month ago, we suspect that few people at the time realized how long this pandemic would go on and how financially damaging it would be for hospitals. We are confident that PEACH hospitals, like our country, will recover, but it is now clear that this recovery will take longer than most of us expected. Reducing the interest rates and increasing the amount of time we have to repay the federal government will enable private community safety-net hospitals and others to continue serving our patients effectively while also ensuring our ability to meet our financial obligation to the federal government.

Once again, PEACH and its members are most grateful for everything you and your colleagues in California's congressional delegation have done to help us continue making a difference in our communities during these extraordinary times. The additional steps outlined above would enable us to continue doing so and we hope you will advance them. If you have any questions about the work we are doing or why we believe we need this additional assistance, we would welcome an opportunity to share our views with you or your staff.

Sincerely,

Anne McLeod
President and CEO