

April 7, 2022

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader Schumer and Leader McConnell, Speaker Pelosi and Leader McCarthy:

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinical partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) writes to express our disappointment that Congress is adjourning for its April recess without providing Medicare sequester relief or critical financial assistance for hospitals and health systems serving their communities during this unprecedented public health crisis.

While we appreciate congressional efforts to provide more funding for COVID-19 vaccines, therapeutics and testing, the needs of caregivers and hospitals also must be addressed to protect access and the stability of our nation's health care system. Hospitals and health systems are facing a mounting financial crisis brought on by a multitude of COVID-19-related financial challenges, including higher expenses from supply chain disruptions, workforce shortages and increased labor costs; months of essential hospital revenue being erased due to the combination of a forced shutdown and slowdown of regular operations for non-emergent care; and reimbursement rates that do not adequately rise with skyrocketing inflation.

Adding to this financial instability, the Provider Relief Fund (PRF), which was established to help health care providers mitigate their COVID-19 losses, has been exhausted. No relief was provided for expenses related to the delta or omicron variant surges, despite 49% of COVID-19 admissions occurring during these two surges resulting in steep increases in cases, hospitalizations and deaths. In addition, \$17 billion of the PRF resources were diverted to other uses, leaving many hospitals without the resources needed to face the ongoing and overwhelming COVID-19-related financial and operational challenges.



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A recent report from the health care consulting firm Kaufman Hall highlighted the harsh reality America's hospitals and health systems face. This winter, the omicron surge drove COVID-19 hospitalizations to new highs, while also driving down non-COVID-19 volume once again. In February 2022, discharges were down almost 14% from pre-pandemic levels, while length of stay was up about 13%, indicating that the patients who were treated were sicker and more medically complex. This is illustrated by the rapidly increasing expenses that hospitals and health systems have faced. Total expense per adjusted discharge rose nearly 31% in February from pre-pandemic levels; labor expense per adjusted discharge rose 32%; and drug expense per adjusted discharge was up nearly 41%. Those combined factors have kept hospitals' margins in the negative. Hospital and health system margins were -3.45% in February 2022. Median operating margins were down 42% in February from pre-pandemic levels.¹

While we appreciate previous congressional action to provide Medicare sequester relief, health care providers were dealt another financial setback when Congress did not extend that relief past April 1, resulting in a 1% cut in Medicare reimbursement for three months with the full 2% sequester resuming July 1. As a result, the AHA estimates hospitals will lose \$3 billion by the end of the year.² Now is not the time to reduce payments to hospitals, especially while a new COVID-19 variant is on the rise and health care providers continue to suffer from immense financial burdens brought on by the pandemic.

The AHA urges Congress to act to ensure health care providers have the critical relief outlined in our [March 23 letter](#), including but not limited to extending the Medicare sequester relief; adding more PRF dollars; and providing flexibility in the repayment terms for Medicare accelerated and advance repayments.

We look forward to working with Congress upon your return from the April recess to provide immediate and vital assistance to our hospitals. If you have any questions, please contact me or Lisa Kidder Hrobsky, AHA senior vice president of federal relations, advocacy, and political affairs, at lkidder@aha.org or 202-626-2244.

Sincerely,

/s/

Stacey Hughes
Executive Vice President

¹ Kaufman Hall National Flash Report, March 2022, <https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-march-2022>

² Medicare fee-for-service claims, Centers for Medicare & Medicaid Services, Chronic Conditions Data Warehouse, <https://www2.ccwdata.org/web/guest/home>. Claims from January to November, 2021 were adjusted for completion and annualized to calculate the value of the sequester in 2021, which was then conservatively trended forward to 2022 using the Part A growth rate for 2022 published in CBO's July 2021 Medicare baseline.