June 11, 2020

Secretary Teresa Miller
PA Department of Human Services
625 Forster Street
Third Floor
Harrisburg, PA 17120

Dear Secretary Miller:

The Safety-Net Association of Pennsylvania (SNAP) appreciates everything you and your colleagues in the Wolf administration are doing to help us help our communities through the COVID-19 public health emergency.

We realize that, like all of us, you are having to adopt new strategies to accelerate your decision-making, develop new policies, and continually adapt to ever-changing circumstances. As part of these efforts, the Department of Human Services (DHS) asked hospitals to complete a survey documenting the impact of COVID-19 on their institutions. This form, distributed to hospitals on May 6 with a response deadline of May 20, sought information about hospitals' COVID-19 patient utilization and the impact of the pandemic on their financial condition. I am writing today to share SNAP's perspective on the limitations of interpreting some of the survey data.

Background

Both DHS and hospitals are large institutions with sizable bureaucracies that have historically relied on an extensive and very deliberative process for requesting and reporting any sort of financial data. Any new reporting generally goes through a period where it is considered, stakeholders are consulted, a draft is introduced, and questions are raised and answered; there may even be legal challenges on such seemingly minor although ultimately important distinctions as (for example) what exactly "uninsured" means. Eventually, you develop consistent guidance. When all is said and done, the hospital industry generally understands what is expected of it and DHS generally understands the data hospitals provide.

The COVID-19 pandemic forced DHS and the industry to accelerate this process from one that has historically played out over years to one that took place over the course of mere weeks. DHS was necessarily speedy in creating the survey and hospitals were necessarily speedy in completing it. We must all be necessarily cautious about interpreting the results.

Absent the normal processes for revision and refinement of this data collection, we are respectfully sharing our thoughts on the form and its interpretation for your consideration.

Areas of Concern

Our concerns fall generally into two categories: first, issues associated with inconsistency in reporting on the newly developed data collection tool, and second, issues inherently associated with attempting to measure the effects of something while it is still ongoing.

Areas of Potential Inconsistency Across Hospitals

SNAP is concerned that the information provided by individual hospitals may not be suitable for direct comparison to information provided by other hospitals. With the information already having been reported, our recommendation must be limited to not using the results of the survey to compare one hospital's experience to another because the data they reported may not be comparable. Examples of areas where reported data may represent something different, depending on how hospitals interpreted the form or because of the structure of the form itself, include the following.

- It is unclear from the form whether hospitals should include the advance payments Medicare made to providers as additional COVID-related revenue. If they do, the formulas in the worksheet will treat those advance payments as though they were an increase in payments. They were not. In fact, the advance payments are loans that will be coming due for many hospitals next month. At that point, hospitals' Medicare fee-for-service reimbursement will be reduced to zero until the loans have been repaid. We believe the advance payment would have been more appropriately categorized below the line alongside the similar state Hospital Emergency Loan Program.
- The survey allocates the hospital's costs and expenses to derive a Medicare share and a Medicaid share. We believe the basis for this allocation used in the survey undercounts the state's share of COVID-related losses and presents the net impact at least partly as a function of the hospital's payer mix. Allocating costs and losses based on Net Patient Revenue (NPR), as the survey does, means that allocations are based on the amount of reimbursement the hospital generally receives from each payer and are not based on the amount of care provided to each payer's patients. Because Medicaid generally pays less than Medicare or commercial insurance, this means the "allocated Medicaid net impact" at the bottom of the sheet underrepresents the Medicaid share of costs and losses. We believe that allocating on gross patient revenues would more accurately identify each payer's share of a hospital's increased costs and COVID-related losses.
- The survey refers to Medicare cost reporting principles, which, while appropriate for determining costs for Medicare reimbursement, may not be appropriate for identifying the financial impact of the pandemic on hospital systems. Whether a hospital reports the increased costs and foregone revenues associated with its physician practices, for example, will depend on whether the Medicare program considers those physician practices to be a part of the hospital as opposed to whether the system bears financial responsibility for the practice.
- Line 22 of the survey is titled "Investments" but tells hospitals to enter the amount that would be reported on worksheet G line 22 column 1 of the Medicare cost report. That referenced cell on the Medicare cost report actually refers to "accumulated depreciation" for cars and trucks. We believe the reference was meant to refer to line 31 of that Medicare cost report worksheet. Many hospitals will have made the assumption that they should enter the figure from line 31 while others may have simply queried a cost report system and transcribed the result that it returned based on the erroneous citation in the survey.

Looking at a Point In Time in Uncertain Times

Hospitals provided data that was accurate as of the moment they reported it. During this national public health emergency, however, things are changing constantly and quickly. Since the original collection date of May 20, hospitals have continued to treat additional cases of COVID-positive patients and have continued to incur additional costs. Even as hospitals are being told they may resume performing non-urgent procedures if they are able to do so in accordance with enhanced safety protocols, complying with those protocols increases costs and patients continue to be wary of coming to the hospital. We cannot simply flip a switch and resume operations at pre-pandemic levels, and the financial impact of this crisis will continue to reverberate through hospital balance sheets for a long time to come.

Even in the short term, some of the federal funding originally promised as a "no strings attached" lifeline to providers is proving to have very real strings indeed. The federal Department of Health and Human Services is continually changing the terms of the CARES Act grant program to such an extent that some providers across the country have returned the money rather than face the uncertainty of the ever-changing terms of compliance with its receipt; the FAQs describing the terms of the program change almost daily and were altered more than 30 times just last Tuesday. Some hospitals could face the prospect of having to return some of the money they thought was theirs as of the reporting of this survey.

This survey presents a picture, but not *the* picture, of the pandemic's impact on a hospital. Hospitals will continue to experience additional COVID-related costs and reduced revenues, and the amount of federal support they receive to help offset their losses may go up but may also go down.

Conclusion

We are grateful for DHS's efforts to provide a timelier view of the financial impact of COVID-19 on Pennsylvania's hospitals than the normal cost reporting process would otherwise afford. We believe the results of this effort are useful for understanding the general magnitude of the effect of the pandemic on individual hospitals. We ask, however, that the results of this survey not be considered the definitive and final measure of the effects of COVID-19 on hospital finances statewide, that any future voluntary data collection efforts using this form consider incorporating modifications to address some of the issues identified above, and that the responses not be used to compare experiences between one hospital and another.

We are happy to discuss any of this letter's content in greater detail at your pleasure.

Sincerely,

Michael R. Chirieleison
President
Safety-Net Association of Pennsylvania

cc: Sally Kozak