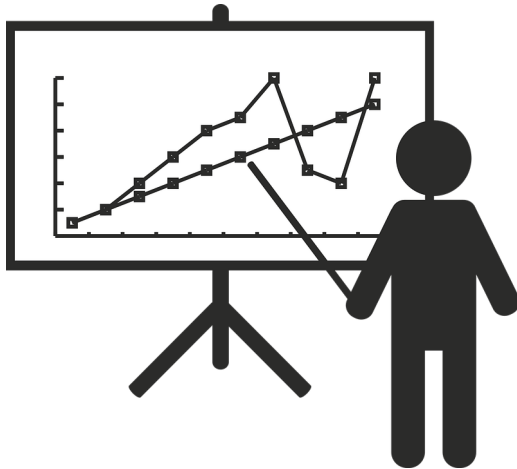




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*Thank you to everyone joining us for
today's Michael M. Davis e-Lecture!
We would like to allow a few minutes
for attendees to join the webinar.
Thank you for your patience and we
will begin shortly!*



THE UNIVERSITY OF
CHICAGO

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Unsanitized and Unfair: How COVID Bailout Funds Refuel Inequity in the US Health Care System

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COVID Exposed Huge Inequalities

- COVID Cases and Deaths

COVID Exposed Huge Inequalities

- Why?
- Reasons are numerous:
 - health disparities—those with underlying conditions is unequal;
 - Labor force participation creates unequal exposure

“With Covid-19, we are all in the same storm. We are not all in the same boat. Some boats have holes that leak, and some boats are more vulnerable.”

--David Williams

Response?

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27th, 2020.
- Over \$2 trillion “to protecting the American people from the public health and economic impacts of COVID-19.”

How has the Health Care System responded?

Argument:

- An unequal system becomes more unequal

COVID & the Hospital Industry

- Since March, the industry claimed financial losses of about \$55 billion per month
- Operating revenue decreased about 40-45% for the “average” Hospital
- Why?
 - Emergency Rooms not profitable
 - Elective procedures, which were eliminated during the first months of the pandemic, account for about one-third of total inpatient hospital revenues.
 - Hospitals earn much higher payments from elective procedures than they do from an emergency department admission
 - Lower payments from “average” COVID patients

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Bifurcated Health Care System

- Mayor Lightfoot, April 6, 2020
- The Chicago public health department had just released data showing that while black residents made up 30% of Chicago's population, they accounted for 52% of the city's lab-confirmed cases of COVID-19, and 72% of Chicago's deaths.
- "Those numbers take your breath away. It's unacceptable. No one should think this is OK."

Bifurcated Health Care System

- Mayors and Governors across the country expressed concern about the dramatic racial differences
- Mentioned racial inequities and health disparities prior to the pandemic
- less often acknowledged were systematic differences within the health care system itself and the system's unequal response to COVID-19

Bifurcated Health Care System

- Carol Marin, from *Chicago Tonight*, asked health care administrator Sean O'Grady, from North Shore University Health System,
- “Mr. O'Grady, safety net hospitals on the West and the South sides [of Chicago] are in more serious need of equipment versus more affluent hospitals, not unlike North Shore, is there a sharing at all going on **between the more affluent with the less affluent?**”
- Mr. Sean O'Grady: “Well, Carol, as you know, Swedish Covenant Hospital join North Shore earlier this year and we have been working very closely with them as a safety net hospital that's a part of our system to ensure that they have the appropriate supplies and equipment that they need. And, that they are taken care of just as we are taking care of our folks in the Legacy North Shore System.”
- Carol Martin: “But, **hospitals in a classic sense compete against each other**, [but] in this plague it's a different sort of story. So, what is the kind of sharing that might be happening or is it not?”
- Mr. O'Grady: “So, I talk to my colleagues around the city on a regular basis, to find out what they're doing in various domains of the response plans and we are regularly talking about how we can help one another. I think the Governor and the Department of Public Health have done an excellent job in bringing the provider community together, and I think through those vehicles, we are collaborating, sharing, and passing information, and to whatever extent we can...uhm, I know my colleagues and I are very committed to sharing across the market.”

Hospital Industry Response?

- Normalized hospital inequalities “more affluent” and “less affluent”
- Sharing and Collaboration?

Provident Hospital

- On the same day that the public health department announced the high rates of COVID-19 among black and brown Chicagoans, the public hospital system, Stronger Health System, announced it would temporarily close Provident Hospital's emergency room—located in a community that is 95% Black with a third of the population living below the poverty level.
- President of the Chicago Medical Society, Dr. Jay Chauhan:
- “In the safety-net hospitals—those hospitals with a lower degree of resources in more fiscally challenged areas—they are having more trouble [and need more support],...whereas some larger [more affluent health networks are well-resourced, and] were able to prepare for this in a more timely fashion.”

Hospital Industry Response?

- Hospital closures: 42 hospitals closed or filed for bankruptcy (Jan 1-June 22, 2020)
- Furloughs: 42,000 health care workers lost their jobs in March; 1.4 million in April (of which 135,000 were from hospitals)

Federal Government Response

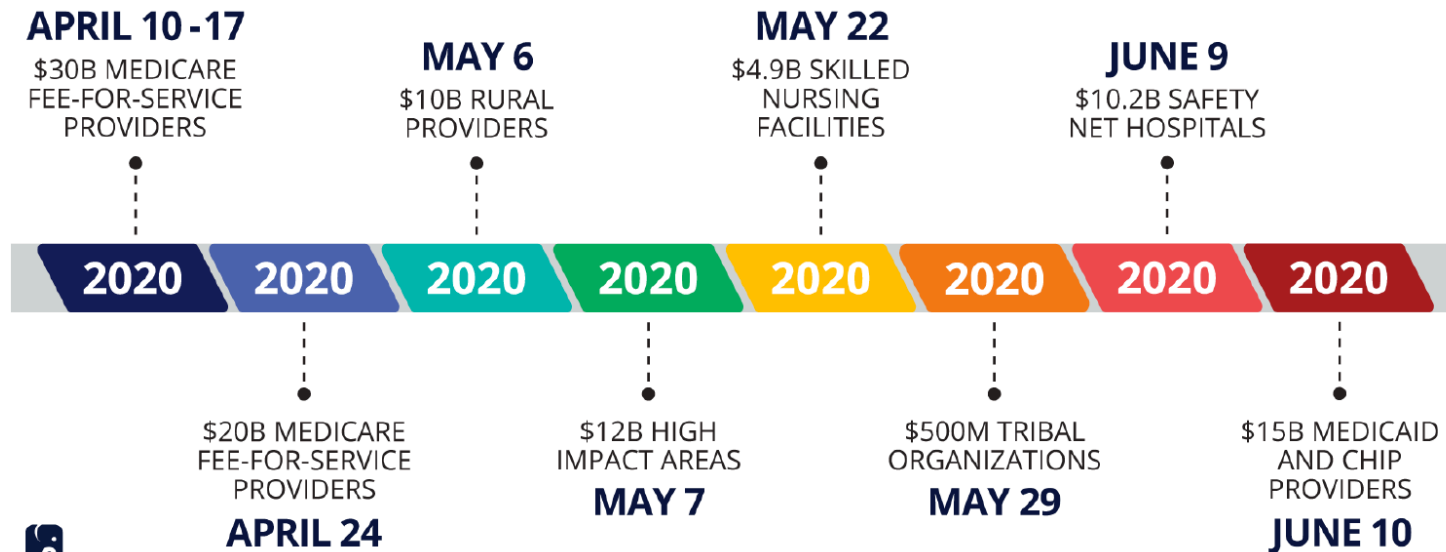
- Provider Relief Fund, CARES Act
- Purpose: “designed to provide an influx of money to hospitals and other health care entities to help them respond to the pandemic”
- Congress: “fund could be used to offset costs related to treating COVID patients or to reimburse for lost revenue”

4 Main Hospital Distributions

PRF funds are being distributed through general and targeted allocations.

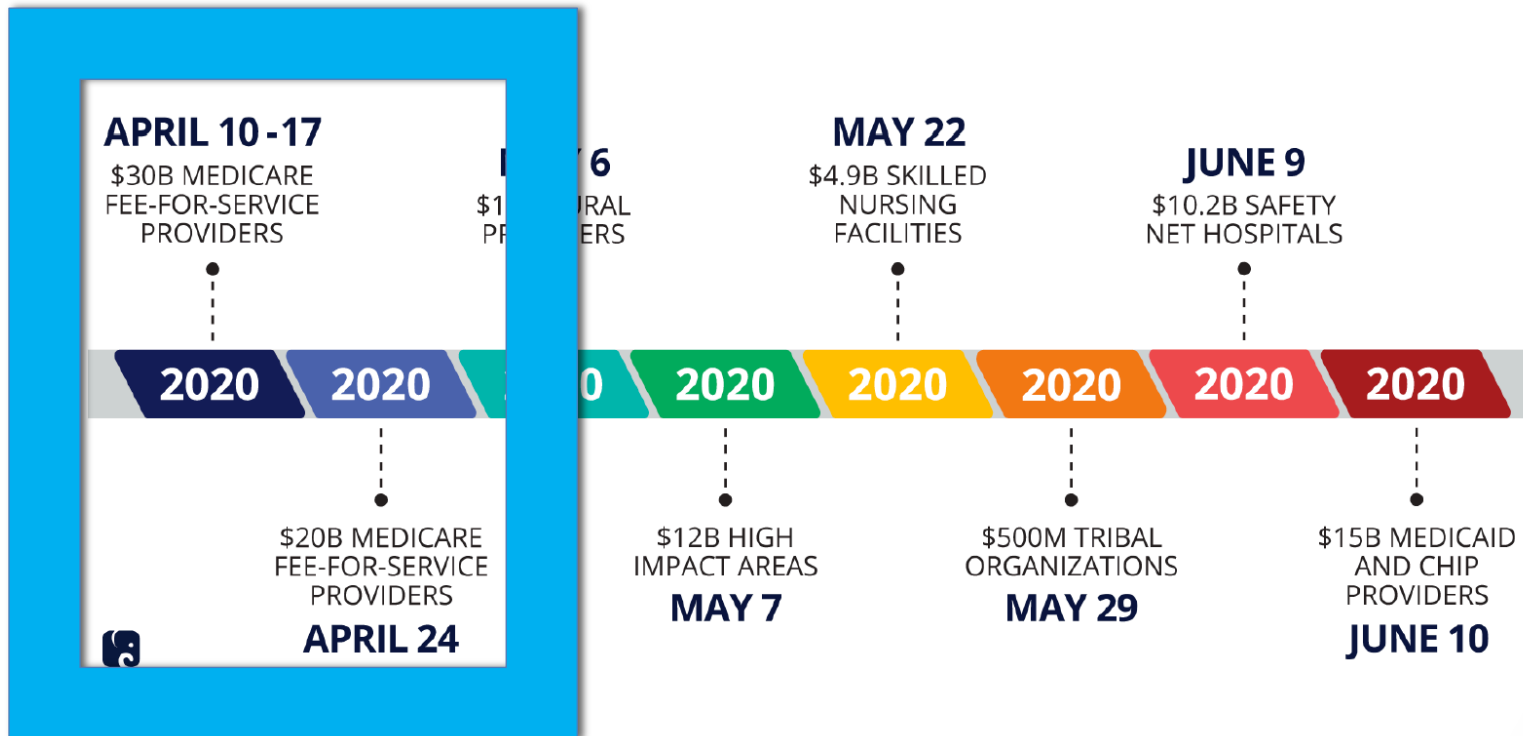
- **\$50 Billion General Distribution**
- **\$12 Billion High-Impact Distribution**
- **\$10 Billion Rural Hospitals**
 - **\$4.9 Billion SNF**
 - **\$500 Indian Health Service**
- **\$10B Safety-Net Hospitals**
 - **\$15B Medicaid & CHIP Providers**

CARES ACT PROVIDER RELIEF FUND DISTRIBUTION TIMELINE



CARES ACT PROVIDER RELIEF FUND DISTRIBUTION TIMELINE

General Distribution

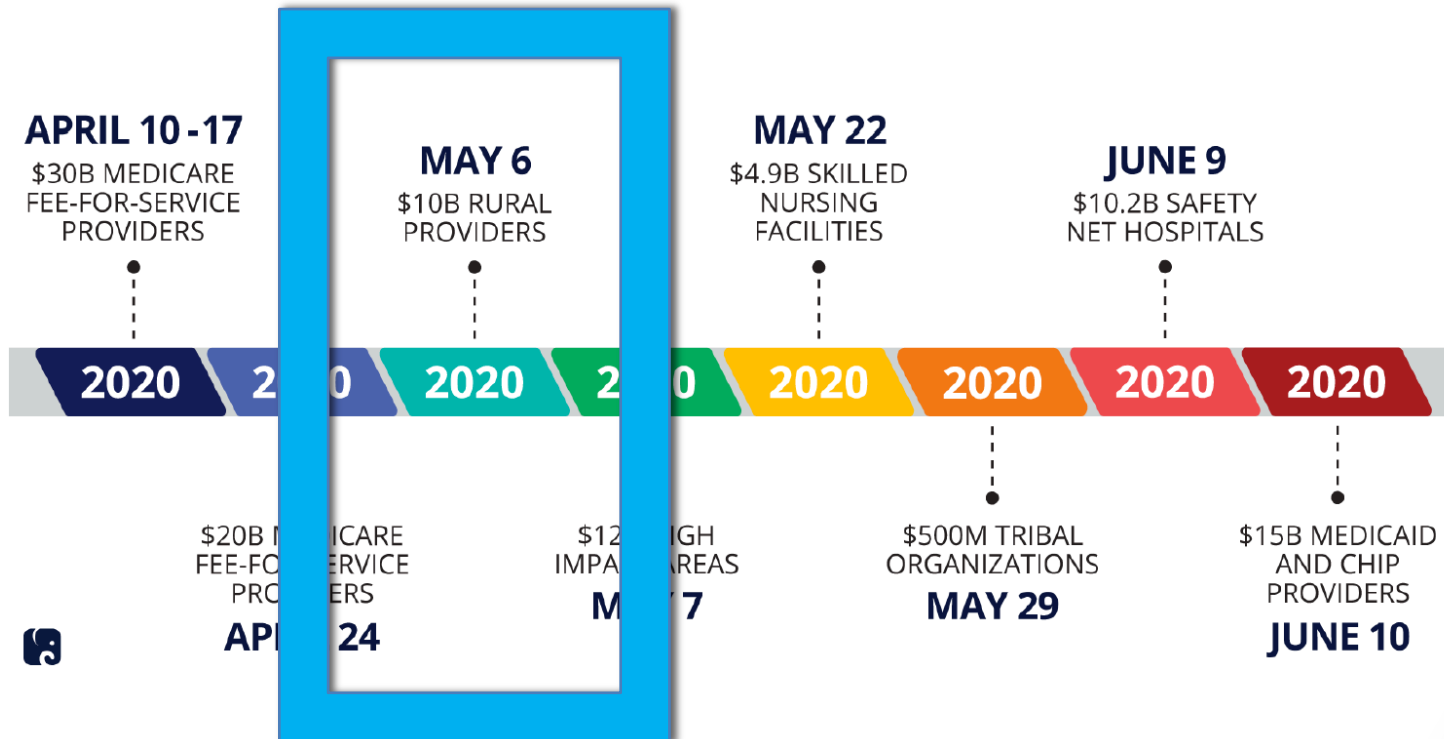


1st “General Distribution”

- On **April 10**, an initial **\$30 billion** in grants was distributed to eligible hospitals, physician practices, and other providers in proportion to their Medicare fee-for-service billings in 2019.
- Beginning **April 24** An additional **\$20 billion** was allocated to nearly 15,000 providers based on their share of **net patient revenue**.

CARES ACT PROVIDER RELIEF FUND DISTRIBUTION TIMELINE

Rural Distribution



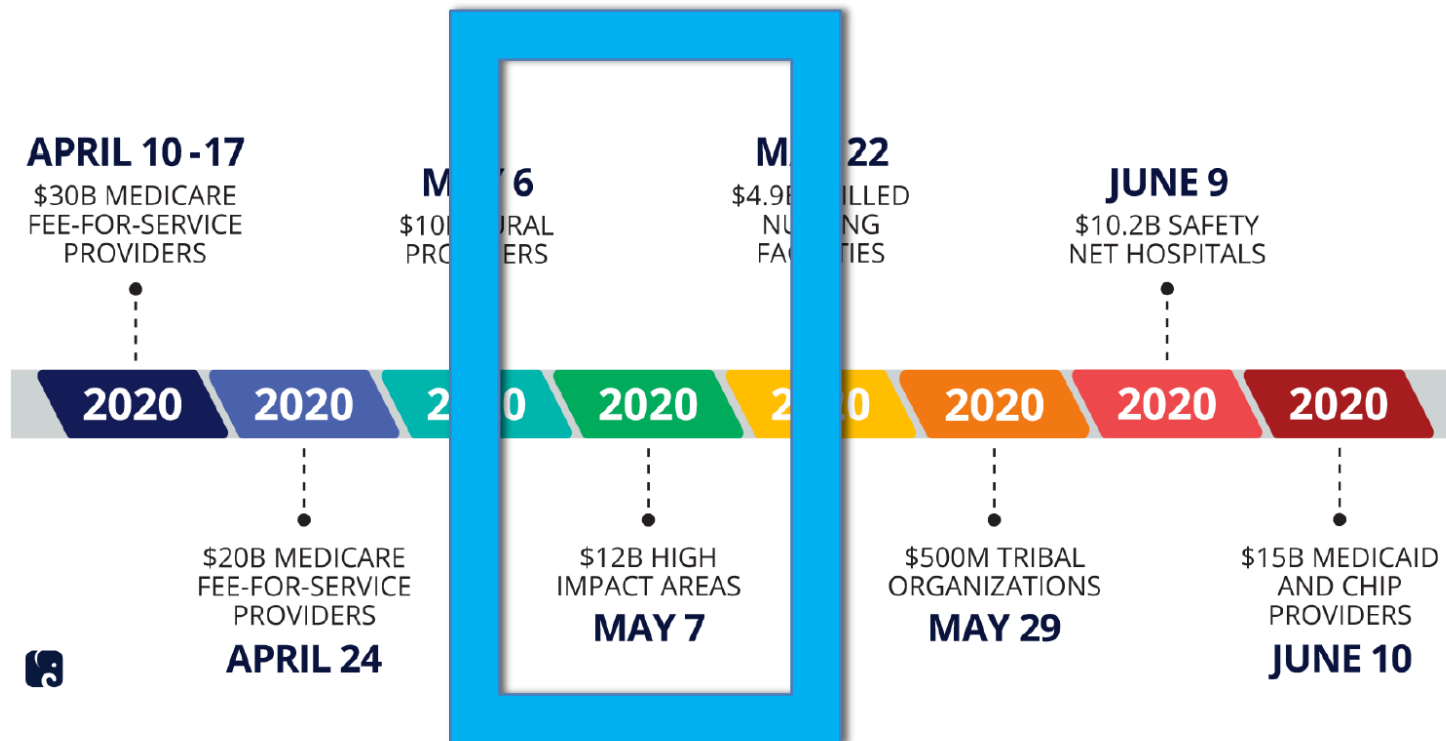
Targeted Allocations

2. Rural Hospital Payments

- May 6th, HHS allocated **\$10 billion** to rural acute general hospitals, rural health clinics, critical access hospitals, and community health centers based in rural areas, based on the facility's reported operating expenses

CARES ACT PROVIDER RELIEF FUND DISTRIBUTION TIMELINE

Hot-Spot Distribution



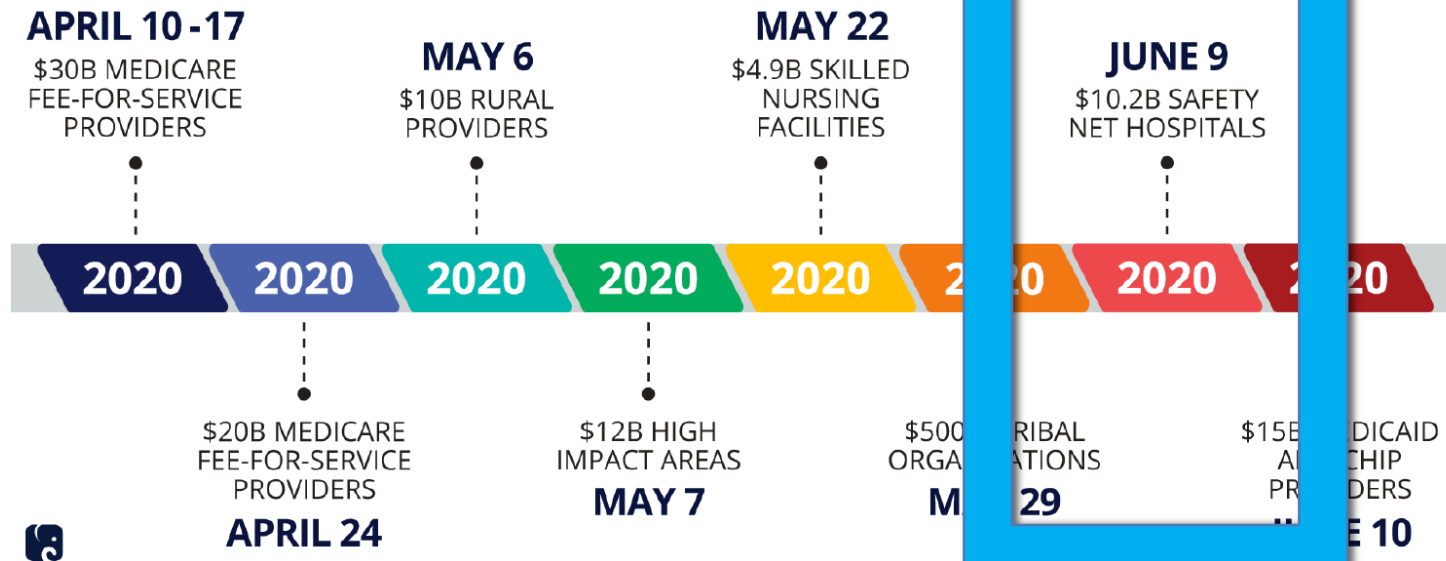
Targeted Allocations

3. “Hot-Spot” Payments

- May 7th, HHS allocated **\$12 billion** to “high impact” providers based on the number of COVID-19 patients admitted to these hospitals. A hospital had to have at least 100 COVID-19 admissions to be eligible for this distribution.

CARES ACT PROVIDER RELIEF FUND DISTRIBUTION TIMELINE

Safety-Net Distribution



Targeted Allocations

4. Safety- Net Hospital Payments

- On June 9th, \$10.2 billion in relief funding. These hospitals provide care to a large number of Medicaid beneficiaries and uninsured patients.
 - HHS announced in June 2020 a targeted allotment of approximately \$15 billion to certain providers that participate in state Medicaid programs and the Children's Health Insurance Program.
 - To be eligible for this funding, providers must not have received payment from the initial \$50 billion general distribution.

Federal Government Response

- Based on Timeline and Funding Amounts
 - Prioritized Revenues Lost over COVID Need
 - Quickly Raised Questions of Fairness

Early Reports for U.S. Hospitals

PRF Distribution

- 20 hospital corporations received \$5 billion in government PRFs were holding more than \$100 billion in reserves

Here are **six hospitals** and health systems with strong operational metrics and **solid financial positions**, according to reports from Fitch Ratings, Moody's Investors Service and S&P Global Ratings.

Note: This is not an exhaustive list. Hospital and health system names were compiled from credit rating reports and are listed in alphabetical order.

1. Dover, Del.-based Bayhealth Medical Center has **an "AA" rating and stable outlook with Fitch**. The system, which includes two hospital campuses, has ample liquidity, strong operating results, light leverage and is the market leader in its service area, Fitch said. The credit rating agency expects Bayhealth Medical Center to sustain strong operating margins and maintain health liquidity, despite the pressure of the COVID-19 pandemic.
2. Children's Hospital of Orange (Calif.) County has an "AA-" rating and stable outlook with Fitch. The 333-bed pediatric hospital has a healthy liquidity position, and it is a market share lead for pediatric services in Orange County, Fitch said. The hospital's balance sheet provides financial flexibility to weather the operating pressures tied to the COVID-19 pandemic, according to the credit rating agency.
3. Edison, N.J.-based Hackensack Meridian Health has an "AA-" rating and stable outlook with Fitch and an "AA-" rating and stable outlook with S&P. The health system has a strong financial profile and a solid market position in a large service area, Fitch said. The credit rating agency expects the system to produce strong operating performance after the COVID-19 pandemic.
4. Houston Methodist has an "AA" rating and stable outlook with S&P. The system, which comprises an academic medical center and six community hospitals, has a strong enterprise profile and a history of excellent margins and cash flow, S&P said. The credit rating agency said Houston Methodist is well positioned to withstand the pressures from COVID-19.
5. Texas Children's Hospital in Houston has an "Aa2" rating and stable outlook with Moody's. The hospital has healthy liquidity, robust fundraising abilities and strong patient demand, Moody's said. The credit rating agency expects the hospital will be able to maintain current operating levels and ample liquidity.
6. York, Pa.-based WellSpan has an "Aa3" rating and stable outlook with Moody's. The eight-hospital system has strong liquidity and a leading market position across several counties in central Pennsylvania, Moody's said. The credit rating agency expects the health system will maintain solid days cash on hand and will return to pre-COVID-19 margins.

The following **10 hospital** and health system credit rating downgrades occurred since April 1. They are listed below in alphabetical order.

1. Boone Hospital Center (Columbia, Mo.) — from "BBB" to "BBB-" (Fitch Ratings)
2. Boulder (Colo.) Community Health — from "A2" to "A3" (Moody's Investors Service)
- 3. Care New England (Providence, R.I.) — from "BB" to "BB-" (Fitch Ratings)**
- 4. Catholic Health System (Buffalo, N.Y.) — from "Baa1" to "Baa2" (Moody's Investors Service); from "BBB+" to "BBB" (S&P Global Ratings)**
- 5. Marshall Medical Center (Placerville, Calif.) — from "BBB-" to "BB+" (Fitch Ratings)**
6. Oroville (Calif.) Hospital — from "BB+" to "BB" (S&P Global Ratings)
7. Sutter Health (Sacramento, Calif.) — from "Aa3" to "A1" (Moody's Investors Service); from "AA-" to "A+" (S&P Global Ratings)
8. Vidant Health (Greenville, N.C.) — from "A1" to "A2" (Moody's Investors Service)
9. Virginia Mason Medical Center (Seattle) — from "Baa2" to "Baa3" (Moody's Investors Service)
- 10. Washington County (Calif.) Health Care District — from "Baa1" to "Baa2" (Moody's Investors Service)**

Early Reports for U.S. Hospitals PRF Distribution

- Kaiser analyses based on **formula** of 1st Allocation

Hospital-Level Data, 1st&2nd

- Data from HRSA, CDC Website
- 1st General Distribution, list amounts for all providers
- 2nd Hot-Spot Distribution, list amounts for hospitals
- 3rd and 4th distributions—Rural hospital and Safety-Net hospitals list only totals for States
- RAND Hospital Data for Hospital characteristic data

What Happened In NY?

- General Dist—1st PRF Payments by Hospital
- 2nd PRF: High-Impact Payments by Hospital
- Total Payments as of August 2020 by Hospital
- Hospital Characteristics
 - Days Cash on Hand—good measure of financial health
 - DSH (Medicare & Medicaid) Provider; proxy for safety-net provider

Federal Government Response

- Based on Timeline and Funding to Hospitals
 - Prioritized **Revenues Lost** over COVID Need

Conclusion: Federal Government Response

- Based on Timeline and **ACTUAL DISTRIBUTION** of Funding to Hospitals in NY
 - Prioritized ~~Revenues Lost~~ over COVID Need
 - Prioritized the More Affluent Hospitals over the Less Affluent
 - Wealthy Hospitals that predominantly take care of Private Insurance Patients were prioritized over Safety-net Hospitals that predominantly take care of the Uninsured and Public Insurance Patients
 - Hospitals that take care of a higher proportion of white patients prioritized over hospitals that take care of a higher proportion of black and brown patients