



Minnesota Hospital Association

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April 9, 2020

The Honorable Amy Klobuchar
U.S. Senate
425 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tina Smith
U.S. Senate
720 Hart Senate Office Building
Washington, DC 20510

The Honorable Jim Hagedorn
U.S. House of Representatives
325 Cannon House Office Building
Washington, DC 20515

The Honorable Angie Craig
U.S. House of Representatives
1523 Longworth House Office Building
Washington, DC 20515

The Honorable Dean Phillips
U.S. House of Representatives
1305 Longworth House Office Building
Washington, DC 20515

The Honorable Betty McCollum
U.S. House of Representatives
2256 Rayburn House Office Building
Washington, DC 20515

The Honorable Ilhan Omar
U.S. House of Representatives
1517 Longworth House Office Building
Washington, DC 20515

The Honorable Tom Emmer
U.S. House of Representatives
315 Cannon House Office Building
Washington, DC 20515

The Honorable Collin Peterson
U.S. House of Representatives
2204 Rayburn House Office Building
Washington, DC 20515

The Honorable Pete Stauber
U.S. House of Representatives
126 Cannon House Office Building
Washington, DC 20515

Subject: Minnesota Hospitals and Health Systems will lose an estimated \$2.9 billion over the next 90 days to respond to the COVID-19 public health crisis

Dear members of the Minnesota congressional delegation:

I write to you today to urge swift and urgent federal action to ensure emergency funds are immediately provided to Minnesota hospitals and health systems to offset the significant financial costs that we are experiencing during this unprecedented COVID-19 pandemic. I make this request after completing an intensive analysis of the unprecedented losses and expenses that our Minnesota providers are currently facing as they respond to this public health crisis.

First, let me again express my gratitude for all that Congress and you have done to assist our efforts. In particular the Coronavirus Aid, Relief, and Economic Security (CARES) Act measures targeted at hospitals -- including the \$100 billion to the Public Health and Social Services Emergency Fund for hospitals, the temporary delay in the Sequestration and Disproportionate Share (DSH) cuts and the increased Medicare revenue were all welcome efforts to provide relief -- are very much appreciated.

That said, after undertaking a review of hospital and health system finances through the first 90 days of this crisis, significant additional federal resources will be required to ensure our health care providers

are able to provide necessary services to get us through this pandemic and to ensure continued viability and access to health care throughout the state once the pandemic is resolved.

Like many states, Minnesota's health care providers have been taking broad actions to prepare for this public health crisis. They have cancelled elective surgeries and reduced in-office visits to conserve personal protective equipment (PPE) needed to protect our front-line caregivers and reduce potential exposure for both health care workers and patients.

Hospitals and health systems have incurred costs to acquire an unprecedented amount of supplies and equipment; build out temporary spaces for a surge of patients and to ensure the right workforce will be in place to care for patients, particularly in intensive care. Our members continue to partner with the state and to collectively acquire and replenish necessary testing supplies and ventilators.

Because of the significant cost of these preparations and a reduction in other medical services and elective surgeries, hospitals and health systems have also taken steps to reduce other expenses. Some hospitals and health systems have cut compensation for leaders and staff, some have delayed non-urgent capital improvement projects, and others have been forced to furlough staff not directly related to COVID preparedness. They are re-training health care workers to be re-deployed to the COVID surge.

This situation is financially impacting hospitals and health systems across our state, metro and rural, large and small. In order to provide you with more specific data, respected accounting firm CliftonLarsonAllen (CLA) has been working with MHA to model the near-term impact of this pandemic. I am alarmed to say that the negative financial impact will be much worse than we originally anticipated.

During this review, we surveyed a broad cross-section of our membership and gained greater clarity on their daily revenue loss, the new and additional expenses incurred to prepare for COVID-19, and expectations related to future revenues that may result when the patient surge hits. Here are our top-line 90-day estimates:

- Minnesota hospitals and health systems are, collectively, losing \$31 million in revenue per day as a result of reductions in patient volumes. This represents a 55% reduction of patient revenues, on average. Smaller hospitals are reporting closer to 70% revenue reductions. We expect this loss to remain consistent over at least the next 90 days for a total impact over 90-days of \$2.8 billion;
- Our members are, as a whole, spending approximately \$13.3 million per day to purchase equipment and supplies and to make physical and technological upgrades that will allow them to handle a surge of COVID-19 patients. Over 90 days, these additional expenses will total \$1.2 billion.
 - Our analysis also attempted to ascertain the level of off-setting revenues as COVID-19 cases increase. Even with the 20% Medicare add-on passed by Congress, payments will not keep pace with costs. At this point in time, we estimate only 90% of patient-related costs will be covered by Medicare due to longer lengths of stay currently being experienced with COVID-19 hospitalizations. Additionally, when the surge will arrive is directly dependent on the success of community mitigation including social distancing. If, as the most conservative models predict, the surge is more than 90 days away, then, in the near-term, hospitals and health systems will be required to absorb the entire \$1.2 billion expense estimate. Given our estimated shortfall from reimbursements, we estimate over \$120 million in uncovered patient-related costs.

Members of the Minnesota congressional delegation

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- All totaled, we anticipate the net losses will result in approximately a \$2.9 billion cash flow loss over the next 90 days.

Again, we are grateful for the support that Congress has already provided, but I am sure you agree that additional support will be necessary and urgently so. I am concerned about our ability to maintain Minnesota's high-quality health care across all parts of Minnesota into the future.

Thank you for our weekly calls and for your assistance in working to ensure we can keep our health care system strong during and after this unprecedented national emergency.

Sincerely,

A handwritten signature in black ink that reads "R. Koranne." The signature is written in a cursive, slightly slanted style.

Rahul Koranne, M.D.