April 30, 2020

The Honorable Alex M. Azar II
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Secretary Azar:

I am writing today to express the ongoing concern of the Medicaid and CHIP Payment and Access Commission (MACPAC) that funds made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136) are not providing sufficient assistance to health care providers that are solely or predominately focused on serving Medicaid beneficiaries. While we appreciate the difficulty of making payments quickly during this time of crisis, it is troubling that so little relief has been offered to those health care professionals and facilities that care for the nation's most vulnerable residents. Lack of attention to these providers may do permanent damage to the nation's health care safety net.

We have three primary concerns.

First, while the change in the distribution formula from payments based on Medicare fee-for-service (FFS) revenue to net patient revenue announced on April 22 may have been intended to help providers with fewer Medicare patients such as children's hospitals, use of this method to distribute half of the available CARES Act funds remains problematic. MACPAC's analyses suggest that this revision only slightly changes the likely share of funds going to deemed disproportionate share hospitals, which serve a high share of Medicaid and low-income patients. We estimate that these institutions account for about 17 percent of hospital Medicare FFS revenue and just 19 percent of total hospital net patient revenue. However, they accounted for nearly one-third (31 percent) of hospital uncompensated care costs in fiscal year (FY) 2017 (MACPAC 2020). Moreover, the net patient revenue measure also favors providers with a higher share of patients with commercial insurance whose rates are higher than those paid by Medicaid. According to the American Hospital Annual Survey, the aggregate hospital payment-to-cost ratio for Medicaid was 87.6 percent in 2017, much lower than the aggregate payment-to-cost ratio of 144.8 percent for commercial payers (AHA 2019).

Second, many providers serving vulnerable Medicaid beneficiaries are not eligible to receive funds under the first $50 billion allocation. Despite the switch to net patient revenue as the basis for distributing the first $50 billion in relief, providers that do not have Medicare FFS revenue remain ineligible for this tranche of funding. In fact, we understand that between 20 and 60 percent of active Medicaid providers (depending on the state) cannot be identified in data maintained by the Centers for Medicare & Medicaid Services (CMS) for the purposes of Medicare provider screening and enrollment (GAO 2019). Due to the nature of the Medicare benefit package, this includes, for example, dentists, providers of home- and community-based services, and many behavioral health providers, including non-hospital-based residential mental health and substance use disorder treatment programs. In addition, most pediatric practices do not provide services to Medicare beneficiaries.

It is important to note that increased federal matching rates do not substitute for direct relief. States can claim federal spending only when covered services are provided to Medicaid beneficiaries. To the extent that practices and facilities are closed or are at risk of closing as a result of the COVID-19 pandemic, the increased federal match does not result in increased federal dollars to states or providers.

Third, we are troubled by the lack of transparency regarding which providers have already received funding and the methodology and amount of funds that will be used to make future payments. The April 22nd announcement notes that the distribution of funds to areas highly impacted by the COVID-19 pandemic "will take into consideration the challenges faced by facilities serving a significantly disproportionate number of low-income patients, as reflected by their Medicare Disproportionate Share Hospital (DSH) Adjustment" but provides no further details (HHS 2020). Similarly, while the announcement notes the intention to distribute some portion of the funds to "skilled nursing facilities, dentists, and providers that solely take Medicaid", there has been no indication of the amount of funding available for this purpose or how it will be allocated. Making such information available would help assuage concerns of providers that help is on the way as well as assist states as they assess how best to meet the health care needs of their residents at this time of crisis.

We urge you to act quickly to rectify this situation, making clear how you will distribute the remainder of the CARES Act funds—as well as those made newly available under the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139)—and speed relief to many providers who are the primary source of health care for tens of millions of low-income children, people with disabilities, and adults, including those over the age of 65, who are covered by the Medicaid program.

Sincerely,

Melanie Bella, MBA
Chair

cc: The Honorable Charles Grassley, Chair, Senate Finance Committee
The Honorable Ron Wyden, Ranking Member, Senate Finance Committee
The Honorable Frank Pallone, Chair, House Energy and Commerce Committee
The Honorable Greg Walden, Ranking Member, House Energy and Commerce Committee
The Honorable Seema Verma, Administrator, Centers for Medicare & Medicaid Services

References

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