United States Senate Committee on
Homeland Security & Governmental Affairs
U.S. Senator Gary Peters | Ranking Member

THE DAMAGE FROM DELAYS

Trump Administration Slow To Distribute COVID-19 Relief As Hospitals Forced to Furlough Workers.

A HSGAC Minority Staff Report

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I. EXECUTIVE SUMMARY

Hospitals nationwide are facing a historic financial crisis due to the impacts of the Coronavirus (COVID-19) pandemic. Unfortunately, despite significant financial assistance provided by Congress, delays and missteps from the Trump Administration prevented an effective response to the COVID-19 pandemic.

On March 27 and April 24, 2020, Congress passed legislation providing a combined $175 billion in funding to stabilize hospitals and other health care providers in response to the COVID-19 pandemic. However, months after this legislation was signed into law, the Trump Administration has still not delivered nearly $72 billion, or 41% of the approved funds. The Administration's failure to distribute this much-needed relief in a timely and equitable manner to the hospitals who need it most imposes a consequential financial toll and jeopardizes health care for patients. Nearly every day of delay has resulted in additional furloughs and greater strain on scarce hospital resources throughout the U.S., including states like Michigan.

At the direction of U.S. Senator Gary Peters, Ranking Member of the Homeland Security and Governmental Affairs Committee, minority staff investigated the impact of this Administration's failure to deliver funding to stabilize hospitals and the associated harm to those hospitals as they respond to the COVID-19 pandemic. This report finds that rising costs associated with treating COVID-19 patients combined with the inability to perform revenue-generating elective surgeries is pushing hospitals toward insolvency. Many hospitals that were already financially vulnerable are the only medical provider serving rural and low-income communities and are at especially high risk of closure.

The report also assesses financial challenges impacting the health care industry and their effect on the entire public health response. Frontline workers, their families, the larger medical care community, and the public they serve all feel the effects. The health care workforce has seen unprecedented job losses and hospitals continue to furlough, lay off, and reduce the salaries of employees even as their operational demands increase. Although most cuts fell on employees not directly treating COVID-19 patients, frontline medical workers have also been impacted.

With the threat of additional waves of COVID-19 patients this year, the Administration must support the financial stability of the health care sector by swiftly and fully distributing funding to hospitals in crisis. Doing so will ensure frontline health care workers who risk their lives every day can keep fighting to save American lives. This action is needed so that hospitals and our health care system can continue to support communities in Michigan and across the country now and in the future when America recovers and returns to a post-pandemic life.

A. Findings of Fact

1. Of the $175 billion provided by Congress in relief funding, the Trump Administration has only paid out about $103 billion, leaving nearly $72 billion undelivered to hospitals and other health care providers.

2. The emergency financial relief initially did not factor in whether a medical facility was a hot spot for COVID-19, resulting in massive inequities in funding per COVID-19 patient.

3. A 2019 analysis prior to the pandemic found that in Michigan alone, 18 rural hospitals were at high risk of closing, or about one-fourth of rural hospitals in the state.

4. A separate study estimated safety net hospitals served 23.9 million patients below the federal poverty line, 17.1 million uninsured patients, and 10 million patients with food insecurity.

5. More than 260 hospitals have temporarily furloughed or permanently laid off health care workers due to the COVID-19 crisis since March 20, 2020.

6. The American Hospital Association estimates a total financial impact of more than $200 billion in losses for hospitals and health systems over a four-month period due to the COVID-19 pandemic—or an average of more than $50 billion per month.

B. Recommendations

1. **Expedite distribution of remaining $72 billion of funds within four weeks.** The Trump Administration's failure to deliver emergency funding relief on a timely basis has already cost medical worker jobs, and they must avoid any additional delay.

2. **Allocate additional disbursements to COVID-19 hot spot areas.** The Trump Administration's failure to account for COVID-19 case levels has caused furloughs in high impact areas. The Department of Health and Human Services (HHS) should use its discretion to deliver a significant, and steady stream of funding to hospitals with the high numbers of COVID-19 patients.

3. **Allocate additional disbursements to rural and safety net hospitals.** The Trump Administration's failure to account for the existing financial situation of health care providers has put hospitals serving lower-income, vulnerable communities at high risk of closure. HHS should use its discretion to ensure such hospitals have enough cash on hand to remain operational throughout the crisis.

4. **Pass the additional $100 billion in the HEROES Act for the Provider Relief Fund.** The HEROES Act passed by the House of Representatives includes an additional $100 billion for health care providers. Congress should provide this additional needed support, and the Administration should implement the above recommended reforms to distribute this funding equitably and efficiently to help keep vulnerable hospitals financially solvent through the pandemic.

II. HOSPITALS FACING UNPRECEDENTED FINANCIAL LOSS

A. Economic Impact of COVID-19 Is Pushing Hospitals to the Financial Brink

The economic crisis unfolding in the wake of the worldwide COVID-19 pandemic has led to historic financial losses for hospitals and providers across the health care spectrum in the United States. As of April 2020, the Department of Commerce reported health care spending declined at an annualized rate of 17% in the first three months of 2020, the largest reduction on record.[1] The American Hospital Association estimates a total financial impact of $202.6 billion in losses resulting from Coronavirus (COVID-19) expenses and lost revenue for hospitals and health systems over the four-month period from March 1, 2020, to June 30, 2020—or an average of more than $50 billion per month.[2]

Hospitals are incurring greater costs to treat COVID-19 patients at the same time they are losing revenue due to cancelled elective procedures while Americans shelter in place to stop the spread of the virus.[3] On April 7, 2020, the Center for Medicare and Medicaid Services issued guidance, "to limit non-essential adult elective surgery and medical and surgical procedures, including all dental procedures."[4] The measure was intended to free operating rooms and direct limited medical resources to frontline responders.

However, hospitals usually balance their budgets by relying on specialized, elective surgeries which are compensated more generously than routine care for illness or even for ICU patients. This means hospitals dealing with a high volume of COVID-19 patients are also losing money. For example, Beaumont Health is Michigan's largest hospital group with a normal net operating income of $16 million a month, but is instead losing $100 million a month after postponing elective surgeries.[5]

> "One administrator stated that it had been 'an absolute financial nightmare for hospitals.'"
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> From a March 2020 report by Department of Health and Human Services (HHS) Inspector General

Due to lack of funds, hospitals have reduced salaries, furloughed, or laid off employees even as COVID-19 cases surged. In a March 2020 report by the Department of Health and Human Services (HHS) Inspector General, hospitals reported "depleting cash reserves" could be "disruptive to ongoing hospital operations." One administrator stated that it had been "an absolute financial

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[1] *Department of Commerce, Bureau of Economic Analysis,* Percent Change From Preceding Period in Real Gross Domestic Product, Expanded Detail *(accessed May 13, 2020)*. *(https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=3&isuri=1&nipa_table_list=31&categories=survey)*.

[2] *American Hospital Association, Hospitals and Health Systems Face Unprecedented Financial Pressures Due to COVID-19 (May 2020) (https://www.aha.org/system/files/media/file/2020/05/aha-covid19-financial-impact-0520-FINAL.pdf)*.

[3] *Id.*

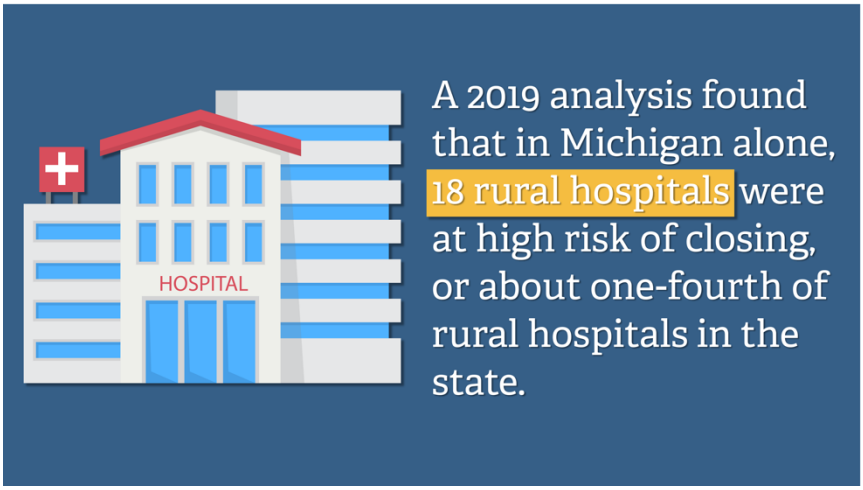
[4] *Department of Health and Human Services, Centers for Medicare & Medicaid Services, CMS Adult Elective Surgery and Procedures Recommendations (Apr. 7, 2020) (https://www.cms.gov/files/document/covid-elective-surgery-recommendations.pdf)*.

[5] *Erica Werner, et al., Hospital relief money slow to reach places that need it most, lawmakers and industry groups say, Washington Post (Apr. 16, 2020) (https://www.washingtonpost.com/us-policy/2020/04/16/bailout-money-hospitals-slow-get-out-missing-some-places-that-need-it-most-lawmakers-industry-groups-say/)*.

nightmare for hospitals."[6]

B. Hospitals Serving Vulnerable Populations are at Greater Risk of Closure

A USA Today analysis estimates that COVID-19 financial strains could force up to 100 hospitals to close within a year, which is more than the previous five years combined.[7] Many hospitals were already at significant financial risk before the pandemic, with low or no profit margins and little cash on hand to provide a buffer.



Almost half of the counties with COVID-19 cases are served by a hospital that reported a negative net income in 2017.[8] Out of those unprofitable hospitals, 640 served communities without access to another medical center and nearly all were in rural areas.[9] Rural hospitals were already suffering from a rising trend of financial instability before the COVID-19 pandemic exacerbated the risks for these rural hospitals and their communities. Since 2005, at least 171 rural hospitals have closed and 2020 was on pace to have the highest annual number on record even before COVID-19.[10]

A 2019 analysis found that in Michigan alone, 18 rural hospitals were at high risk of closing, or about one-fourth of rural hospitals in the state.[11] Dickinson County Memorial Hospital in the Upper Peninsula is one of those at-risk hospitals. In 2018, Dickinson was able to avoid filing for bankruptcy only by cutting its workforce by more than 100 employees and streamlining its operations.[12] Now, the hospital has few options for revenue with no COVID-19 patients and no outpatient procedures.

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[6] *Department of Health and Human Services, Office of Inspector General, Hospital Experiences Responding to the COVID-19 Pandemic: Results of a National Pulse Survey March 23-27, 2020 (April 2020) (OEI-06-20-00300) (https://oig.hhs.gov/oei/reports/oei-06-20-00300.pdf) [IG Report].*

[7] *Josh Salman and Jayme Fraser, Coronavirus strains cash-strapped hospitals, could cause up to 100 to close within a year, USA Today (Apr. 25, 2020) (https://www.usatoday.com/story/news/investigations/2020/04/25/coronavirus-strains-cash-strapped-hospitals-could-cause-mass-closures/2996521001/).*

[8] *Id..*

[9] *Id.*

[10] *University of North Carolina, Rural Health Research and Policy Analysis Center, 171 Rural Hospital Closures: January 2005 – Present (129 since 2010) (https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures) (accessed June 11, 2020).*

[11] *David Mosley and Daniel DeBehnke, Rural Hospital Sustainability: New Analysis Shows Worsening Situation for Rural Hospitals, Residents, Navigant (Feb. 2019) (https://guidehouse.com/-/media/www/site/insights/healthcare/2019/navigant-rural-hospital-analysis-22019.pdf.)*

[12] *Ted Roelofs, Rural Michigan hospitals gutted by coronavirus, even those without cases, Bridge Magazine (Apr. 23, 2020) (https://www.bridgemi.com/michigan-health-watch/rural-michigan-hospitals-gutted-coronavirus-even-those-without-cases).*

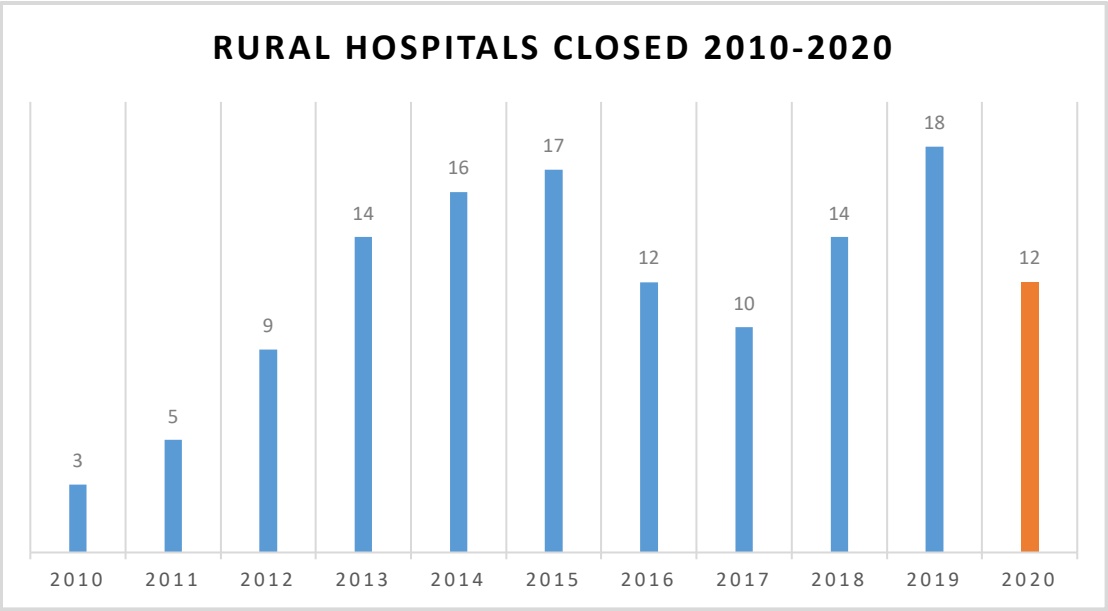

Figure 1. Data from University of North Carolina Rural Health Research and Policy Analysis Center

Nonprofit "safety net" hospitals disproportionately serve the most vulnerable communities and are also generally at high risk of forced closure. A 2019 study estimated safety net hospitals served 23.9 million patients below the federal poverty line, 17.1 million uninsured patients, and 10 million patients with food insecurity.[13] These essential hospitals provided $6.7 billion of uncompensated and unreimbursed care, or 17.4 percent of the national total.[14]

However, safety net hospitals are operating on margins one-fifth that of the average hospital.[15] While wealthier hospitals may have six months of cash on hand or more, safety net hospitals have been reporting a few weeks of cash on hand or less.[16] One hospital president noted, "most safety net hospitals are south of 25 days, and we're probably around 10. How do you manage through that?"[17]

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[13] *America's Essential Hospitals, Essential Data Our Hospitals, Our Patients (Apr. 2019) (https://essentialhospitals.org/wp-content/uploads/2019/04/Essential-Data-2019_Spreads1.pdf).*

[14] *Id.*

[15] *Letter from America's Essential Hospitals, to Secretary Alex Azar, Department of Health and Human Services (Mar. 27, 2020) (https://essentialhospitals.org/wp-content/uploads/2020/03/COVID-19-LettertoHHS-TargetingHospitalDollars-3-27-2020.pdf).*

[16] *Jordan Rau, Amid coronavirus distress, wealthy hospitals hoard millions, Washington Post (Apr. 27, 2020) (https://www.washingtonpost.com/local/amid-coronavirus-distress-wealthy-hospitals-hoard-millions/2020/04/27/9c84ccc0-866b-11ea-878a-86477a724bdb_story.html).*

[17] *Id.*

III. TRUMP ADMINISTRATION FAILED TO DISTRIBUTE FUNDS QUICKLY AND EQUITABLY

A. Critical Emergency Funding Delayed As Hospital Furloughs Increased

On March 27, 2020, the third Coronavirus relief package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and invested $100 billion in the Provider Relief Fund for hospitals and other health care providers.[18] To assist hospitals struggling with surging numbers of COVID-19 patients as quickly as possible, the Secretary of Health and Human Services (HHS) was given broad discretion over how to distribute the $100 billion.[19]

Two weeks later on April 10, a first tranche of $30 billion worth of funding began to go out to health care providers based upon their 2019 Medicare billings, with the other $70 billion still unallocated by HHS.[20] This led to bipartisan criticism from lawmakers and frustration from health systems that had been told by HHS that funding would be awarded earlier.[21] Additionally, while hospitals were counting on the Administration's April 3 promise to cover the costs of treating uninsured Coronavirus patients, the first reimbursements began May 18, 2020 —a month and a half later.[22] To date, approximately $1 billion of the Provider Relief Fund has been distributed for uninsured patient reimbursements.[23]

On April 24, HHS began releasing a second general tranche of $20 billion based upon eligible providers' net patient revenue. On May 1, 2020, HHS announced it would begin processing payments of $12 billion to "high impact" hospitals with large numbers of COVID-19 cases through April 10, 2020, $10 billion to approximately 2,000 rural hospitals and affiliated health clinics, and $400 million to the Indian Health Service.[24] Of those targeted allocations, Michigan received $900 million for high impact hospitals and $326 million for rural hospitals.[25] On May

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[18] *The Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136.*

[19] *Karyn Schwartz and Tricia Neuman, A Look at the $100 Billion for Hospitals in the CARES Act, Kaiser Family Foundation (Mar. 31, 2020) (https://www.kff.org/coronavirus-policy-watch/a-look-at-the-100-billion-for-hospitals-in-the-cares-act/).*

[20] *Department of Health and Human Services, HHS to Begin Immediate Delivery of Initial $30 Billion of CARES Act Provider Relief Funding (Apr. 10, 2020) (https://www.hhs.gov/about/news/2020/04/10/hhs-to-begin-immediate-delivery-of-initial-30-billion-of-cares-act-rovider-relief-funding.html).*

[21] *Stephanie Armour, Trump Administration Slow to Distribute Coronavirus Aid to Hospitals, Wall Street Journal (Apr. 21, 2020) (https://www.wsj.com/articles/trump-administration-slow-to-distribute-coronavirus-aid-to-hospitals-11587503400?mod=article_inline).*

[22] *Department of Health and Human Services, Health Resources & Services Administration, COVID-19 Claims Reimbursement to Health Care Providers and Facilities For Testing and Treatment of the Uninsured (https://www.hrsa.gov/CovidUninsuredClaim) (accessed June 12, 2020).*

[23] *Id.*

[24] *Department of Health and Human Services, HHS Begins Distribution of Payments to Hospitals with High COVID-19 Admissions, Rural Providers (May 1, 2020) (https://www.hhs.gov/about/news/2020/05/01/hhs-begins-distribution-of-payments-to-hospitals-with-high-covid-19-admissions-rural-providers.html).*

[25] *Department of Health and Human Services, COVID-19 High Impact Allocation (accessed June 1, 2020) (https://www.hhs.gov/sites/default/files/covid-19-high-impact-allocation.pdf).*

22, HHS announced a nearly $4.9 billion distribution to skilled nursing facilities, including nearly $114 million for the state of Michigan.[26]

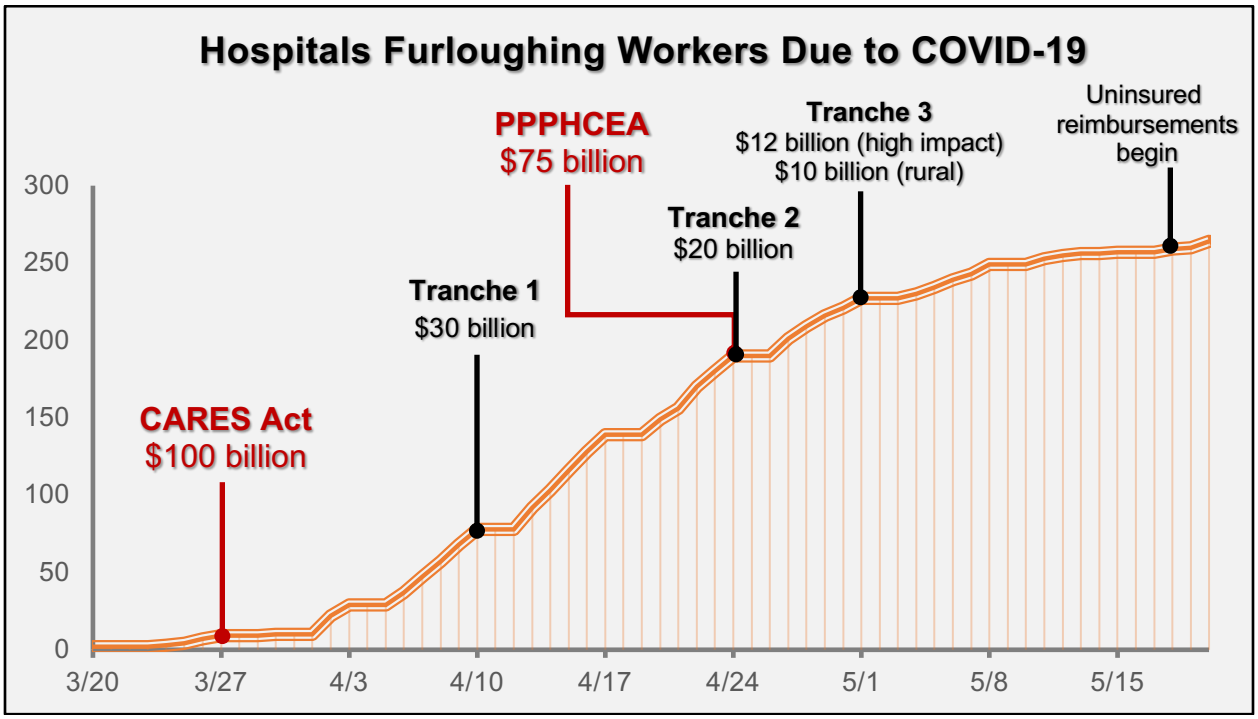

Figure 2. Data from HHS and Becker's Hospital Review

While these delays occurred, increasing numbers of hospitals were forced to implement additional furloughs, layoffs, and salary reductions for health care professionals. According to a tally by Becker's Hospital Review, more than 260 hospitals announced plans to temporarily furlough or permanently lay off health care workers due to the pandemic since March 20, 2020.[27] In just the two weeks of delay before the first tranche of funding was processed, more than 70 hospitals announced furloughs, averaging five hospitals per day.[28]

As hospitals continued to financially struggle through the COVID-19 surge of patients, lawmakers worked to invest more in the Provider Relief Fund. On April 24, 2020, the fourth relief package, the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA) was signed into law. The PPPHCEA totaled $484 billion and provided an additional $75 billion to the Provider Relief Fund to reimburse hospitals and other health care providers for costs attributable to the Coronavirus outbreak.[29]

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[26] *Department of Health and Human Services, State-by-state Breakdown: Skilled Nursing Facilities (SNF) Relief Fund Payment of Nearly $4.9B (accessed June 1, 2020) (https://www.hhs.gov/sites/default/files/skilled-nursing-facility-provider-relief-payment-state-breakdown.pdf).*

[27] *Alia Paavola, 266 hospitals furloughing workers in response to COVID-19, Becker's Hospital Review (https://www.beckershospitalreview.com/finance/49-hospitals-furloughing-workers-in-response-to-covid-19.html) (accessed June 8, 2020).*

[28] *Id.*

[29] *The Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139.*

Following bipartisan criticism from Congress and direct calls for more funding from safety net health providers, HHS announced on June 9 that they expect to distribute $15 billion in aid to Medicaid and the Children's Health Insurance Program (CHIP), and $10 billion to safety net hospitals. To be eligible, a safety net hospital will need to meet certain financial criteria related to the amount of uncompensated care provided and have a profit margin of no more than 3%.[30]

It took the Trump Administration nearly 60 days to allot the first funding stream specifically to support safety net hospitals and the low-income and vulnerable populations they serve. Unfortunately, all of the costs and harm that has already taken place in these communities during the months-long delay will not be remedied retroactively.

America's Essential Hospitals, a trade group for safety net hospitals, had previously requested $20 billion in relief funding. The president released a statement that the $10 billion "will help ease the financial pain" but also noted "the earlier funding gaps that let many hospitals fall through the cracks demand that Congress and the administration keep the focus on the safety net and providers caring for our most disadvantaged people and communities."[31]

Of the $175 billion in the Provider Relief Fund, the Trump Administration has begun to pay out about $103 billion, leaving nearly $72 billion undelivered to hospitals and other health care providers.

[30] *Amy Goldstein, Safety-net health providers get $25 billion to help keep their doors open, Washington Post (June 9, 2020) (https://www.washingtonpost.com/health/safety-net-health-providers-get-25-billion-to-help-keep-their-doors-open/2020/06/09/94db6c50-aa69-11ea-9063-e69bd6520940_story.html).*

[31] *America's Essential Hospitals, Statement on Additional COVID-19 Aid for the Safety Net (June 9, 2020) (https://essentialhospitals.org/general/statement-additional-covid-19-aid-safety-net/).*

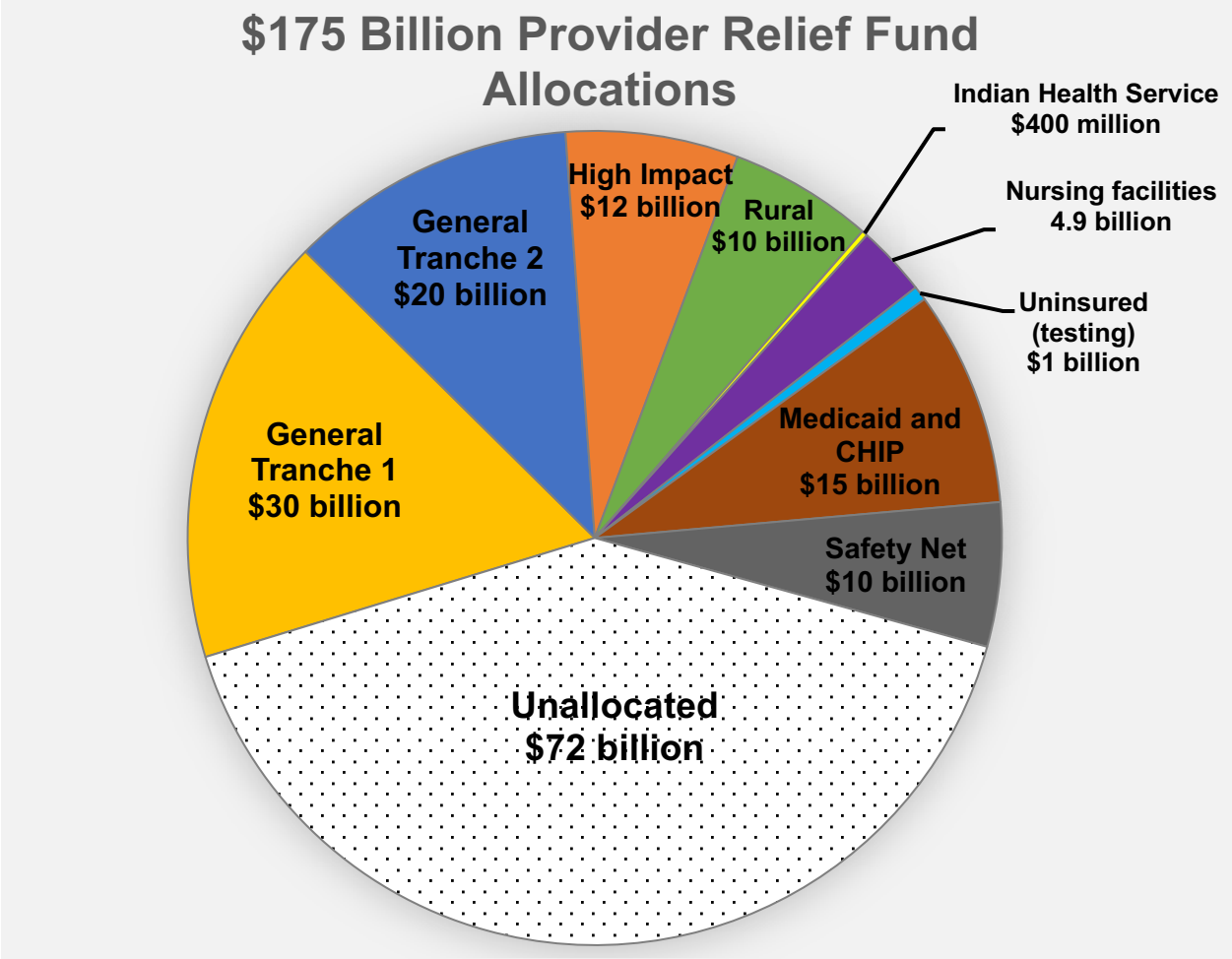

Figure 3. Data from HHS

B. Initial Distribution Did Not Account for COVID-19 Cases and Greatest Need

In addition to the initial delays and confusion, the first $30 billion tranche of emergency financial relief to hospitals was based upon 2019 Medicare fee-for-service reimbursements. This formula did not factor in whether a medical facility was in a hot spot area for COVID-19 and also excluded many rural hospitals.[32] As a result, the first general distribution payments contained massive inequities. Areas hit hardest by the virus and in greatest need of funding to stabilize their finances received many times less per COVID-19 patient than others.

Table 1. Comparison of HHS Funding to States by COVID-19 Caseload

State	COVID-19 Cases	Funding per Case
States with Most COVID-19 Cases (as of April 10, 2020)		
New York	170,512	$10,906

[32] *Stephanie Armour, Hospitals Secure More Aid in Latest Coronavirus Bill, Wall Street Journal (Apr. 21, 2020) (https://www.wsj.com/articles/hospitalssecure-more-aid-in-latest-coronavirus-bill-11587515529).*

New Jersey	54,588	$16,843
Michigan	30,172	$31,045
Massachusetts	20,878	$40,302
Pennsylvania	19,979	$62,378
States with Least COVID-19 Cases (as of April 10, 2020)		
Hawaii	442	$299,855
Montana	365	$305,488
North Dakota	278	$327,570
Wyoming	253	$262,424
Alaska	246	$289,627
National Average	*9,684*	*$160,286*

Data from HHS and staff calculations; The COVID Tracking Project.

For example, when HHS began the first tranche on April 10, 2020, the five states with the highest number of positive Coronavirus cases—New York, New Jersey, Michigan, Massachusetts, and Pennsylvania—received between approximately $11,000 to $62,000 per case.[33] The five states with the lowest number of cases—Hawaii, Montana, North Dakota, Wyoming, and Alaska—received many times more per case, between about $262,000 and $328,000. On average nationwide, States were allocated approximately $160,000 per positive COVID-19 case.[34]

The Trump Administration's failure to account for COVID-19 case levels has caused furloughs in hot spot areas. Medical facilities with surges of hospitalizations and ICU patients due to the Coronavirus had a sharp increase in treatment costs. A Kaiser Family Foundation estimates a COVID-19 patient could cost more than $20,000 and over $88,000 for patients requiring a ventilator.[35] Medical facilities in hot spots also incurred additional costs preparing for the surge acquiring drugs and medical supplies, such as hospital beds and ventilators, at inflated prices.

On March 24, Strata Decision released a study predicting that even with the proposed additional funding provided by Congress, hospitals will lose "about $1,200 per case and up to $6,000 to $8,000 per case for some hospital systems, depending on their payer mix." The report also

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[33] *Department of Health and Human Services, State-by-State Breakdown: Delivery of Initial $30 Billion of CARES Act Public Health and Social Services Emergency Fund (https://www.hhs.gov/sites/default/files/state-by-state-breakdown-delivery-of-initial-30-billion-cares-act.pdf) (accessed May 19, 2020).*

[34] *The COVID Tracking Project, Totals by state (https://covidtracking.com/data) (accessed June 12, 2020).*

[35] *Peterson-KFF Health System Tracker, Potential costs of COVID-19 treatment for people with employer coverage (Mar. 13, 2020) (https://www.healthsystemtracker.org/brief/potential-costs-of-coronavirus-treatment-for-people-with-employer-coverage/).*

warned that without financial relief, many hospitals will be forced "to reduce costs such as dismissing/furloughing large numbers of non-clinical workers who are already overwhelmed converting hospital beds, maintaining equipment, and performing other non-clinical but essential jobs."[36]

C. Underserved and Minority Communities Disproportionately Impacted

Reporting shows that race is one of the key predictors of how severely communities have been impacted by COVID-19. According to an April 2020 CDC report, for the month of March, across 14 states, 33% or one in three patients hospitalized due to Coronavirus were African American, even though African Americans make up only 13% of the U.S. population.[37] A recent University of Chicago study also found that nursing homes serving majority minority populations are twice as likely to experience a deadly COVID-19 outbreak than those with majority white individuals.[38]

In some states, the disparities are even more staggering. In Michigan, African Americans make up about 14% of the state's population but 35% of total COVID-19 cases and 40% of COVID-19 related deaths—more than eight times the death rate of white Americans.[39] In Georgia, 80% of patients hospitalized due to COVID-19 are African American, even though African Americans represent only approximately 32% of the state's population.[40]

Experts attribute these health outcome disparities to a variety of factors including longstanding inequities in the health care system. African Americans are less likely to have health insurance or access to affordable testing, and are more likely to have underlying health conditions that present a greater risk of severe illness. On April 7, 2020, Dr. Anthony Fauci, acknowledging that these disparities have long been prevalent in the African American community, stated COVID-19 was "shining a bright light on how unacceptable that is."[41]

It also appears the emergency relief funding dispersed so far largely failed to take into account a hospital's existing financial resources. The HHS funding formulas based on Medicare payments ($30 billion) and net patient revenue ($20 billion) disproportionately benefit some of the largest,

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[36] *Strata Decision, Report: Hospitals Face Massive Losses on COVID-19 Cases Even With Proposed Increase in Federal Reimbursement (Mar. 24, 2020) (https://www.stratadecision.com/blog/report-hospitals-face-massive-losses-on-covid-19-cases-even-with-proposed-increase-in-federal-reimbursement/).*

[37] *Centers for Disease Control and Prevention, Hospitalization Rates and Characteristics of Patients Hospitalized with Laboratory-Confirmed Coronavirus Disease 2019 – COVID-NET, 14 States, March 1-30, 2020 (Apr. 17, 2020) (https://www.cdc.gov/mmwr/volumes/69/wr/mm6915e3.htm#F2_down).*

[38] *Allison Pecorin and Matthew Mosk, In nursing homes, as in wider community, minorities hit hardest by COVID, researchers say, ABC News (May 21, 2020) (*https://abcnews.go.com/Health/nursing-homes-wider-community-minorities-hit-hardest-covid/story?id=70789774*).*

[39] *Akilah Johnson and Talia Buford, Early Data Shows African Americans Have Contracted and Died of Coronavirus at an Alarming Rate, ProPublica (Apr. 3, 2020) (*https://www.propublica.org/article/early-data-shows-african-americans-have-contracted-and-died-of-coronavirus-at-an-alarming-rate*).*

[40] *Centers for Disease Control and Prevention, Characteristics and Clinical Outcomes of Adult Patients Hospitalized with COVID-19 –Georgia, March 2020 (May 8, 2020) (https://www.cdc.gov/mmwr/volumes/69/wr/mm6918e1.htm).*

[41] *Elizabeth Thomas and Dr. Nancy A. Anoruo, Coronavirus is disproportionately killing the black community. Here's what experts say can be done about it, ABC News (Apr. 9, 2020) (*https://abcnews.go.com/Politics/coronavirus-disproportionately-killing-black-community-experts/story?id=70011986*).*

wealthiest hospital groups with ample cash reserves over smaller hospitals. HHS paid out more than $5 billion to 20 large hospital chains with more than $108 billion in cash collectively—with no plausible risk of closure or damaging operations.[42]

A recent Kaiser Family Foundation study explained: "All things being equal, hospitals with more market power can command higher reimbursement rates from private insurers and therefore received a larger share of the grant funds under the formula HHS used." The study also found hospitals serving a larger proportion of wealthier, privately insured patients received twice as much relief funding as the smaller hospitals serving a greater proportion of uninsured, low-income, or patients under Medicaid. The wealthier hospitals were more likely to be for-profit and less likely to be teaching hospitals or provide uncompensated care.[43]

D. Trump's Attack on HHS Inspector General Threatens Fact-based Support for Hospitals

In April 2020, the HHS Office of the Inspector General (IG) released a report that detailed many challenges hospitals were facing in order to help HHS identify how to support hospitals during the pandemic.[44] The report found hospitals were dealing with "severe" and "widespread" shortages of personal protective equipment and necessary testing supplies to adequately protect health care workers.

When asked about the report's findings, President Trump dismissed the report as "wrong" and attacked the Principal Deputy Inspector General Christi Grimm, who signed off on the report. He then accused Grimm—a career investigator who served at HHS for over 20 years in both Democratic and Republican administrations—of political bias.[45] On May 2, the Trump White House announced the nomination of a permanent Inspector General to replace Grimm.[46]

President Trump's apparent retaliation against the IG for simply reporting accurate facts on the damage to hospitals threatens the ability of the independent watchdog to fulfill its responsibility of providing lawmakers and the public with reliable information. The potential chilling effect could prevent the collection of the data needed to support hospitals' needs during the pandemic. Grimm has defended the IG report to Congress, stating "I cannot let the idea of providing unpopular information drive decision-making in the work we do," calling independence "the cornerstone of what any" IG must do.[47]

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[42] *Jesse Drucker, et al., Wealthiest Hospitals Got Billions in Bailout for Struggling Health Providers, New York Times (May 25, 2020) (https://www.nytimes.com/2020/05/25/business/coronavirus-hospitals-bailout.html).*

[43] *Kaiser Family Foundation, Distribution of CARES Act Funding Among Hospitals (May 13, 2020) (https://www.kff.org/coronavirus-covid-19/issue-brief/distribution-of-cares-act-funding-among-hospitals).*

[44] *IG Report, supra note 6.*

[45] *Lisa Rein, Trump replaces HHS watchdog who found 'severe shortages' at hospitals combating coronavirus, Washington Post (May 2, 2020) (https://www.washingtonpost.com/politics/trump-replaces-hhs-watchdog-who-found-severe-shortages-at-hospitals-combating-coronavirus/2020/05/02/6e274372-8c87-11ea-ac8a-fe9b8088e101_story.html).*

[46] *Id.*

[47] *Amy Goldstein, Top HHS watchdog being replaced by Trump says inspectors general must work free from political intrusion, Washington Post (May 26, 2020) (https://www.washingtonpost.com/health/top-hhs-watchdog-being-replaced-by-trump-says-inspectors-general-must-work-free-from-political-intrusion/2020/05/26/5c83f41a-9f49-11ea-9590-1858a893bd59_story.html).*

IV. FRONTLINE HEALTH CARE WORKERS LACK JOB SECURITY

A. Health Care Workers Are Experiencing Historic Job Losses

The nation is experiencing historic jobless claims as the COVID-19 pandemic continues. Since March 2020, more than 44 million Americans filed for unemployment benefits—representing one in four American workers and the highest numbers since the Great Depression.[48] In March and April 2020, health care employment declined by 8.9%, losing a combined 1.48 million jobs.[49] Seventy-five percent of these losses are from outpatient care settings, such as dentists, physicians, and ambulatory care.[50] Hospitals lost more than 130,000 jobs and nursing and residential care facilities more than 120,000 jobs during that time period.[51]

The current health care employment turmoil is unprecedented. This industry has historically been resistant in economic downturns and has even helped to create jobs to promote past economic recoveries. For example, during the Great Recession health care employment increased by 6.6 percent and added more than 850,000 jobs between 2007 and 2010, while the overall economy lost nearly 7.8 million jobs.[52]

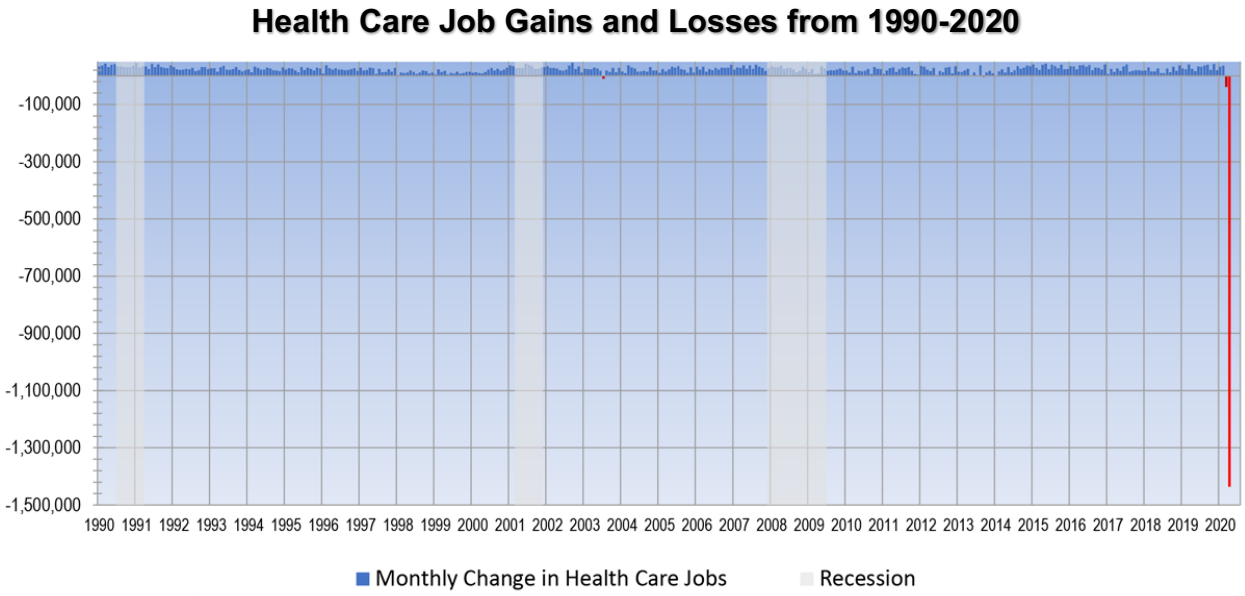

Figure 4. Source: Altarum

[48] *Anneken Tappe and Tami Luhby, Another 1.5 million Americans filed for first-time unemployment benefits last week, CNN (June 11, 2020) (https://www.cnn.com/2020/06/11/economy/unemployment-benefits-coronavirus/index.html).*

[49] *Ani Turner, et al., Perspective: Pandemic Results in 1.5 Million Lost Health Jobs: Devastation Eclipsed by Non-Health Sector, Altarum (May 8, 2020) (https://altarum.org/news/pandemic-results-15-million-lost-health-jobs-devastation-eclipsed-non-health-sector).*

[50] *Id.*

[51] *Department of Labor, Bureau of Labor Statistics, The Employment Situation—April 2020 (May 8, 2020) (https://www.bls.gov/news.release/pdf/empsit.pdf).*

[52] *Department of Labor, Bureau of Labor Statistics, Healthcare jobs and the Great Recession (June 2018) (https://www.bls.gov/opub/mlr/2018/article/healthcare-jobs-and-the-great-recession.htm).*

Month-to-month job losses since the COVID-19 pandemic began are by far the most significant in the past 30 years, and likely underrepresent the true economic harm because these numbers do not reflect underemployment or health care workers who have been temporarily furloughed.[53]

B. More Than 260 Hospitals Have Furloughed or Laid Off Health Care Workers

Since March 20, 2020, more than 260 hospitals have temporarily furloughed or permanently laid off health care workers due to the COVID-19 crisis.[54] The Department of Health and Human Services' Inspector General found "hospitals reported laying off staff due to financial difficulties, which further exacerbated workforce shortages and the hospitals' ability to care for COVID-19 patients and the routine patient population."[55]

In April 2020, Michigan's largest health care provider Beaumont Health with 38,000 employees and eight hospitals, announced it would temporarily lay off 2,475 employees, permanently eliminate 450 positions, and cut executive pay.[56] Beaumont CEO John Fox also said he expected, "economic pressures on Beaumont and the health care industry to continue well after the COVID-19 initial surge subsides."[57]

Additionally, Trinity Health announced the temporary furloughs of 2,500 employees, representing 10 percent of staff, across eight hospitals.[58] The Henry Ford Health System has also decided to temporarily furlough about 2,800 employees across six hospitals.[59] All hospitals noted that most of the layoffs were focused on non-clinical workers or those not directly involved in patient care.

The remaining frontline doctors and nurses endure longer hours, and some have been subject to pay cuts or reduced benefits. In an April 2020 survey taken by Merritt Hawkins, a physician recruitment firm, 18% of physicians who were treating COVID-19 patients reported they had been furloughed or had their pay cut, as did 30% of physicians not treating COVID-19 patients.[60]

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[53] *Department of Labor, Bureau of Labor Statistics, The Employment Situation—April 2020 (May 8, 2020) (https://www.bls.gov/news.release/pdf/empsit.pdf).*

[54] *Alia Paavola, 266 hospitals furloughing workers in response to COVID-19, Becker's Hospital Review (https://www.beckershospitalreview.com/finance/49-hospitals-furloughing-workers-in-response-to-covid-19.html) (accessed June 8, 2020).*

[55] *IG Report, supra note 6.*

[56] *Beaumont Health, Beaumont Health must temporarily lay off about 2,475 employees, permanently eliminate about 450 positions due to dire financial effects of the COVID-19 pandemic (Apr. 21, 2020) (https://www.beaumont.org/health-wellness/press-releases/beaumont-health-must-temporarily-lay-off-about-2475-employees-permanently-eliminate-about-450-positions-due-to-dire-financial-effects-of-the-covid-19-pandemic).*

[57] *Id.*

[58] *Brian McVicar, Mercy Health, Saint Joseph Mercy Health System to furlough 2,500 employees, MLive (Apr. 1, 2020) (https://www.mlive.com/news/grand-rapids/2020/04/mercy-health-saint-joseph-mercy-health-system-to-furlough-2500-employees.html).*

[59] *Henry Ford Health System, Financial Impact of COVID-19 Pandemic Forces Temporary Layoffs at Henry Ford Health System (Apr. 22, 2020) (https://www.henryford.com/news/2020/04/impact-of-covid19-pandemic-forces-temporary-layoffs).*

[60] *Merritt Hawkins and The Physicians Foundation, Physicians and COVID-19 (Apr. 2020) (https://www.merritthawkins.com/uploadedFiles/Corona_Physician_Survey_Merritt_Hawkins_Report.pdf).*

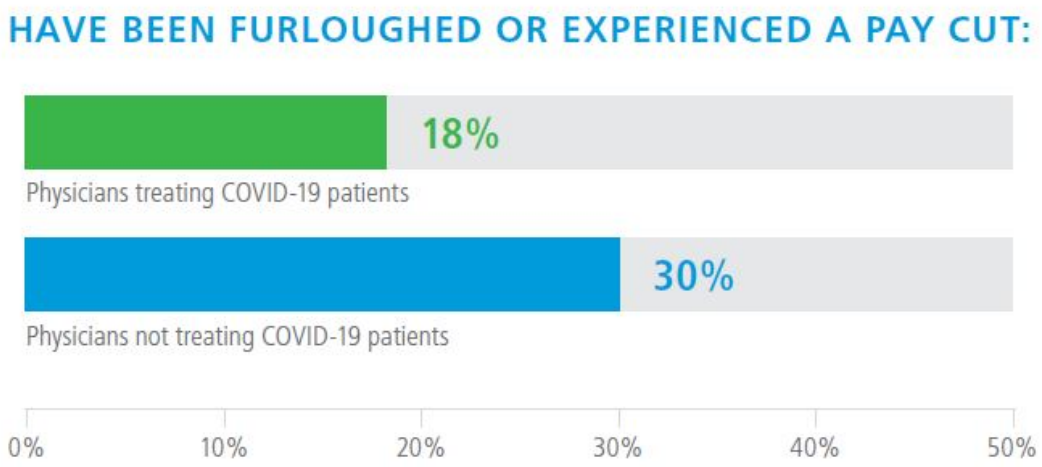


Figure 5. Source: Merritt Hawkins and The Physicians Foundation

These conditions could accelerate the burnout of essential health care workers even in light of COVID-19. About one-third of physicians said they planned to seek a different practice, opt out of patient care, close their practices temporarily, or retire. Before the pandemic, physicians had already been subject to a number of stress factors and declining morale.[61]

Medical workers treating COVID-19 patients, with the risk of infection for themselves or their families, are at high risk of mental health impacts. A survey conducted between March 27 and 31 on health care workers in Italy found 49% reported posttraumatic stress symptoms, 25% reported symptoms of depression, 20% symptoms of anxiety, 8% insomnia, and 22% high perceived stress.[62] Mental health experts also anticipate higher rates of post-traumatic stress disorder and suicide.[63]

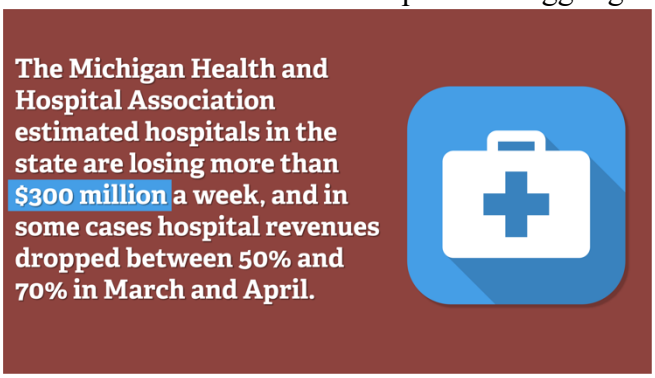
[61] *Id.*

[62] *Italian Health Care Workers' Mental Health Suffering During COVID-19, Physicians Briefing (June 1, 2020) (https://www.physiciansbriefing.com/psychiatry-16/coronavirus-1008/italian-health-care-workers-mental-health-suffering-during-covid-19-758051.html).*

[63] *Jan Hoffman, 'I Can't Turn My Brain Off': PTSD and Burnout Threaten Medical Workers, New York Times (May 16, 2020) (https://www.nytimes.com/2020/05/16/health/coronavirus-ptsd-medical-workers.html).*

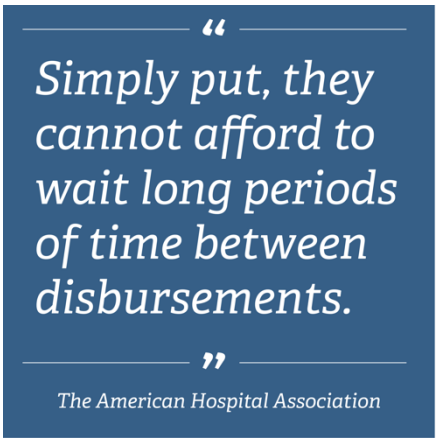
V. CONCLUSION

The financial crisis for hospitals due to COVID-19 threatens not only frontline workers and the immediate response to the pandemic, but also the overall availability of the basic medical care of Americans. The Michigan Health and Hospital Association estimated hospitals in the state are losing more than $300 million a week, and in some cases hospital revenues dropped between 50% and 70% in March and April.[64] Struggling hospitals may be forced to close or shut down unprofitable departments, and the disruption to operations may leave many vulnerable communities with less access to medical care.



By mid-May, almost 94 million adults had already delayed medical care due to the COVID-19 pandemic.[65] In Michigan, an executive order allowed medical visits and nonessential procedures to resume on May 29, such as postponed cancer screenings, biopsies, and surgeries. However, physicians estimate it will take months for all the backlogged procedures to be rescheduled.[66]

The Trump Administration has still not delivered much of the $175 billion of emergency relief funding many hospitals desperately need, and even that full amount is almost certainly insufficient. On May 15, 2020, the House of Representatives passed H.R. 6800, The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act that would approve an additional $100 billion for the Provider Relief Fund.[67] The American Hospital Association agreed that more funding "is urgently needed" and asked the Administration expedite the funds to hospitals, explaining: "Simply put, they cannot afford to wait long periods of time between disbursements."[68]



[64] *Gus Burns, Michigan hospitals to receive $1.3 billion for treating coronavirus patients, MLive (May 4, 2020) (https://www.mlive.com/public-interest/2020/05/michigan-hospitals-to-receive-13-billion-for-treating-coronavirus-patients.html.*

[65] *Ted Mellnik, et al. Americans are delaying medical care, and it's devastating health-care providers, Washington Post (June 2, 2020) (https://www.washingtonpost.com/nation/2020/06/01/americans-are-delaying-medical-care-its-devastating-health-care-providers/?arc404=true).*

[66] *Kristen Jordan Shamus, Health care in Michigan dramatically changed because of COVID-19, Detroit Free Press (May 28, 2020) (https://www.freep.com/story/news/health/2020/05/28/health-care-michigan-dramatically-changed-covid-19/5225066002/).*

[67] *H.R. 6800, The Health and Economic Recovery Omnibus Emergency Solutions Act.*

[68] *Letter from American Hospital Association, to Speaker Nancy Pelosi, U.S. House of Representatives (May 14, 2020) (https://www.aha.org/system/files/media/file/2020/05/web-AHALettertoHouseonHEROESAct051420final.pdf).*