Proposal for Arkansas Coronavirus Relief Fund

Submitted by DHS

Title: Proposal to Protect, Treat, and Transform During the COVID-19 Emergency

Summary

In response to the COVID-19 Pandemic, Governor Asa Hutchinson created the Arkansas Coronavirus Aid, Relief, and Economic Security (CARES) Act Steering Committee to make recommendations to the Governor on the "best uses of the CARES Act funding" under Section 601 of PL116-136, the "Coronavirus Relief Fund."

The COVID-19 crisis has hit our community hospitals from all sides. By their very essence, hospitals cannot adopt strategies and tactics available to other types of businesses, including others in health care. Although limited additional federal funding has become available to hospitals in various forms, federal disbursements were based on past payments and have not been distributed according to present needs. The Department of Human Services (DHS) proposes two types of payments to be made to the hospitals across Arkansas currently enrolled in the Arkansas Medicaid program. These funds are critical to enable hospitals to recover some of their unreimbursed costs associated with treating COVID-19 patients and transform their new roles in the rapidly evolving demands of a more fully integrated system to support each stage in the continuum of care.

Background

The methodology used for these federal distributions thus far systematically disadvantaged our state's hospitals. Arkansas hospitals are reimbursed at some of the lowest rates nationally by commercial insurance, and lower commercial reimbursement negatively impacts government payer reimbursement levels. Hospitals in other states that charge more and are paid more were rewarded by this distribution formula. Arkansas's hospitals have the second lowest average operating costs per hospital stay in the country, and margins are still substantially lower than national averages. Our fiscal conservativeness and responsibility have put our hospitals at a distinct disadvantage in the federal government's various formulae for disbursement of funds, which is tied to patient revenue and expenses and other variables that tilt funding towards non-Arkansas hospitals and other states.

I. Protect the Public, Treat Patients, and Transform the New Delivery System—Formula-based Allotment

Every hospital in Arkansas has experienced the negative effects of the public health emergency caused by COVID-19. All have faced challenges to cover increased costs of supplies, cleaning, changes in staff patterns, extraordinary costs of specialized equipment, and environmental

modifications. Some have carried a disproportionate share of the cost of treating COVID-19 positive patients.

The public emergency is an unprecedented transformative event for several reasons, most especially in its effects on its victims which are still unknown and the suddenness of its appearance and spread. Planning and preparation, which in ordinary times would be carried out over months, were collapsed into days and weeks. In many cases, hospitals were forced to plan for a bed surge that did not occur.

As the state enters a new phase of the public health emergency, the purpose of these formula-based payments is to assist hospitals to offset extraordinary costs related to responding to the public health emergency and to adapt to change. The delivery of medical care during the pandemic is rapidly evolving, and hospitals are where these changes intersect. Delivering care to patients who may remain physically outside the walls and halls of emergency departments and inpatient hospital space requires creativity, technology, innovation, and invention. There is an unknown cost to uncertainty. Thus, hospitals must plan for different contingencies. Changing operations and clinical processes requires trade-offs. There was a cost to convert hospital space to meet an anticipated surge. There is a cost to convert back again or repurpose for yet another shift.

Various studies have found:

- Hospitals would need to operate at 110% of normal capacity to handle the surge and treat COVID-19 positive patients over the course of a 30-day period.
- Using Medicare rates as a comparison, the cost per patient range from approximately $15,000 for less severe hospitalizations to $40,000 for severe hospitalizations.
- On average, costs exceed payment of $2,800 per COVID-19 case. This excess cost varies by the type of payer (uninsured, Medicaid, Medicare, commercial).
- The average cost of an inpatient bed in Arkansas is $1,880 per day (compared to US average of $2,517).

In addition, the direct start-up costs of transformation often delay the adoption of new technology such as telemedicine (hardware, software, installation, training,) or new quality improvement initiatives do not capture variable direct costs nor incremental indirect costs above previous or baseline costs. It may take 5 years or more for a return-on-investment to be realized. Arkansas hospitals have made significant investments with no clear pathway to recovering costs.

Funds under this program may be used for costs that are attributed to activities associated with the COVID-19 pandemic, including but not limited to:

(1) Patient, visitor, and staff safety;
(2) public health response;
(3) technology improvements;
(4) education and training;
(5) readiness and preparedness; and
(6) other related incremental direct and indirect costs.

Formula

To provide funding for the six allowable activities above, an allotment formula has been developed based on the following factors:

- DHS will provide an allotment of $50,000 for Critical Access Hospitals (CAHs) and specialty hospitals [Rehabilitation, psychiatric hospitals and long-term care hospitals].
- DHS will provide an allotment of $10,182 per licensed bed to each acute care hospital (excludes Critical Access Hospitals and specialty). This is equivalent to 30% of the average cost of one bed per week, for the 18 weeks of the emergency thus far.
- Payment by bed size will be based upon the Arkansas Department of Health's determination of licensed "Medicare beds" for each facility.

Estimated Cost: $99.6 million

II. COVID-19 Cluster Payments

In addition to the Formula payment, an additional Cluster Payment fund of $10,000,000 will be available for distribution to hospitals that cared for COVID-19-positive inpatients from March 1, 2020 through June 30, 2020, including inmates, to offset additional costs that were not fully reimbursed.

DHS will provide an allotment of $25,000 for Critical Access Hospitals (CAHs) and specialty hospitals that cared for COVID-19-positive inpatients. An allotment of $1,400 per licensed bed will be provided to each acute care hospital caring for COVID-10-positive inpatients (excludes Critical Access Hospitals and specialty). This per bed payment is equivalent to 74% of the average cost of one day of care in that bed.

The total amount will be capped at $10 million. Funding among the qualified hospitals will be prorated accordingly if necessary.

Estimated Cost: $10,000,000

Process and Procedures for Payment:

For purposes of program integrity, the provider must be enrolled in the Arkansas Medicaid program as of March 1, 2020 and currently accepting Medicaid beneficiaries. Each critical access hospital and acute care hospital must operate and staff, according to ADH rules, an emergency department 24 hours per day, 7 days per week. Licensed distinct-part units within an acute care hospital will not be treated as separately licensed specialty hospitals for purposes of this distribution.

Hospitals must attest in writing that:

(1) These funds are necessary for payment of costs associated with the COVID-19 public health emergency as set forth above.
(2) They will maintain essential beds and appropriate levels of staffing according to Arkansas Department of Health rules.
(3) They will be enrolled and maintain enrollment in both Medicare and Medicaid.
(4) They will continuously operate during the declared emergency, including operating and staffing an emergency department 24 hours per day, seven days per week, if required by Arkansas Department of Health rules.
(5) They have infection prevention policies and procedures in place and will report diseases, including COVID-19, as required under the Arkansas Department of Health's rules.

The Arkansas Department of Health will submit, prior to June 15, 2020, and at a later time if requested by DHS, the following information necessary to determine the final payment amounts for each hospital:

- number of licensed "Medicare beds" for each facility, if different from the data found at the following publicly available link: https://www.healthy.arkansas.gov/images/uploads/pdf/Hospital_Provider_List.xlsx; and
- a list of hospitals that have cared for COVID-19-positive inpatients, including inmates, as reported by hospitals on either EMResource or the ADH daily REDCap survey. Reporting through either ADH reporting platform is sufficient to document that the hospital has cared for a COVID-19-positive inpatient.

This funding is for costs incurred between March 1, 2020 and June 30, 2020.

A hospital may request an amount up to an amount equal to 100% of its allotment.

The allotments will be paid out to each hospital that submits its attestation form by June 30, 2020.

Qualifying facilities will have up to August 31, 2020 to file claims. Claims must be accompanied by two items of documentation:

1) A COVID-19-related cost form, which will be developed by the Arkansas Department of Human Services in consultation with the Arkansas Hospital Association to capture allowable costs as outlined above.
2) A form attesting to the above five requirements and the requirements under "Restrictions on funds" below.

Restrictions on funds:

The recipient of funds would be required to attest that these are necessary expenditures due to the public health emergency with respect to COVID-19 and that none of these funds are used to:

- duplicate or supplant funding from any other federal or state program. Payments or other reimbursement for direct patient care is not included as funding from a federal or state program.
- offset loss of revenue.
- provide “retention” or retainer payments.
- pay bonuses.
- pay any increase in management fees to administrative personnel.

The total amount of the reimbursement may not exceed the maximum payment as set forth in this proposal, even if the particular provider incurs costs in excess of the maximum amount determined by the formulae. To the extent that expenses are subsequently reimbursed under another federal or state program, funds disbursed from the Arkansas Coronavirus Relief Fund will be reconciled and recovered.