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April 12, 2021

Honorable Secretary Xavier Becerra
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington D.C. 20201

Dear Secretary Becerra,

The American Health Care Association and the National Center for Assisted Living (AHCA/NCAL) has greatly appreciated HHS assistance during the pandemic as well as your Provider Relief Fund (PRF) team's responsiveness. In particular, the HRSA team has been extremely helpful.

AHCA/NCAL represents 14,500 Skilled Nursing Facilities (SNFs) and approximately 4,500 stand-alone assisted living centers (ALCs). We are writing to convey our members desperately needed ongoing assistance as they continue to struggle to deliver care during the pandemic. The PRF has been critically important in the past year and will remain a key HHS stabilizing program for by addressing lost revenue for what we believe will be a prolonged period while occupancy levels slowly recover.

Because of this, we urge HHS to extend the date for the final PRF report and any recovery of unused funds to December 30, 2022. Based upon AHCA/NCAL research, without such an extension and continued access to PRF for lost revenue, beneficiaries and residents could experience serious care disruptions as providers cease operation.

Ongoing PRF Needs

SNFs and ALCs will experience ongoing higher operating costs while occupancy remains at record lows. The industry is expected to lose $94 billion over a two-year period (2020-2021) due to the skyrocketing costs to fight the pandemic. In 2020, nursing homes spent roughly $30 billion on personal protective equipment (PPE) and additional staffing alone. Many SNFs and ALC providers faced financial struggles even

before the pandemic, but the situation is becoming more dire with the industry anticipating record closures.

Declining occupancy has compounded financial challenges. SNF occupancy declined by 16.5 percent between January 2020 and January 2021. Occupancy rates for ALCs dropped to a record-low 77.7 percent in the fourth quarter of 2020. Our research estimates that more than 1,600 SNFs could close in 2021. A recent AHCA/NCAL member survey indicated that 56% of ALCs would not be able to maintain operations at current levels an additional 12 months without additional revenue or financial relief.

Illustration of Challenges

Over 70 percent of SNF operating expenses are fixed and cannot be managed down by making operational changes (e.g., staff reductions, building maintenance, etc.). Therefore, members have only 30 percent of their operating expenses which can be adjusted to address lost revenue. We asked members to share examples of their lost revenue situations to illustrate the need for access to PRF dollars to address lost revenue well past June 30, 2020:

- *Northwest SNF Provider:* This SNF has provided services to the Medicaid and Medicare population for over 20 years and currently operates 54 SNF's in 8 NW states including Oregon and Washington State. Due to COVID, the operator has experienced a drop in occupancy from 79% in Dec. 2019 to 65% in Dec. 2020. Average Daily Census has dropped by 17% in the same period. The operator anticipates a slow recovery of lost census over the next several years and estimated lost revenue at $17M in 2020. While census begins it's slow recovery the Operator continues to spend heavily on PPE and Testing to meet CDC and State Health Department requirements which have averaged $1.7 million per month in early 2021. Provider sees that continued Federal and State support is critical to continue providing services to the Medicaid and Medicare populations as census slowly recovers and Covid costs remain high.

- *Western SNF Provider:* This SNF provider has care centers in central and northern California. Due to COVID census declines, revenue has decreased by nearly 20%. As hospitals continue to refer discharged patients to home with home health in addition to the slowed hospital volumes, occupancy remains depressed and down 25% from pre-COVID levels. In term of staffing, there are some facilities that struggle to meet minimum staffing requirements even after implementation of wage increases and use of overtime and double-time hours from staff. Overtime and double-time hours have increased by 35%

which has significantly raised the costs of labor. Without continued stimulus moneys or other forms of reimbursement, it will remain difficult to sustain SNF operations.

- *Southeastern Provider SNF:* This SNF provider has 50 buildings spread over Florida, Georgia and South Carolina. The provider also, at the request of Florida, converted two in-development buildings to COVID-only SNFs. Accounting for all payer sources, and excluding COVID-related expenses, this provider will arrive at a loss of more than $25 million at the end of their July fiscal year. Their calculation compares 2019 occupancy to 2020 and uses 2020 rates. They do not anticipate occupancy returning in time to address the negative revenue figure and have indicated they do not have the resources to continue operations for more than 2 – 3 months without ongoing PRF lost revenue support.

- *Midwestern SNF Provider:* This SNF provider has 1 building in Ohio. Small providers, such as this example, make up approximately half of AHCA's SNF membership (defined as 10 or fewer buildings) – roughly 7,000 buildings. They have struggled to find affordable contract nursing as staff have left the profession and/or quarantined as well as other direct care staff. And acquiring and storing sufficient PPE is far more costly and complex for smaller providers who do not have the resources available to larger providers. This provider will incur $500,000 in lost revenue at the end of their July fiscal year and using the same calculation method used in the example, above. While this number appears much smaller than the southeastern provider, the dollar figure is devasting to a small provider who also does not expect a return in occupancy soon and note they likely will be unable to remain in operation without continued PRF lost revenue support.

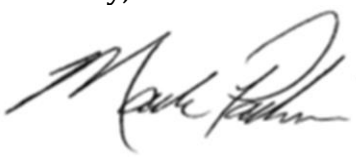
- *Mid-Atlantic ALC Provider:* This ALC provider has 13 private pay facilities across Pennsylvania, Maryland, and Virginia (most of their facilities are in PA and MD). While they have the capacity to serve 650 residents in total in PA and MD, they typically care for 560 on a monthly basis (pre-COVID). During 2020, this provider experienced a 14% decline in census and struggled with employee retention amongst their 615 team members (they provided approximately $957,000 in "hero pay" and retention bonuses). In total, this provider experienced revenue decline in just their Pennsylvania and Maryland facilities alone of $1.9M and increased expenses of $2.8M for a total net loss of $4.8M.

- *Pacific Northwest ALC Provider:* This ALC provider has a mix of private pay and Medicaid residents amongst its total portfolio of 18 facilities in Washington, Oregon, and California. Specifically, for the 7 that they have in Washington and California, these properties were hit much harder with COVID in December and January of this year than even the first wave of COVID in Washington in early 2020. Overall, these facilities experienced a revenue decline of $850,000 and expenses increase by $1.2M, with an overall net loss of $2.5M. Their census decline tracks national ALC data, and they expect Q1 of 2021 to be a worse financial quarter than any in 2020.

Reimbursement Challenges Exacerbating Occupancy Lost Revenue
Unfortunately, reimbursement sources are being exhausted or reduced during our occupancy crisis. While we understand PRF dollars may not be used to repay Medicare Advance and Accelerated Payments (AAP), unfortunately, the recoupment process has begun while occupancy remains at record lows. The Medicare AAP recoupment process reduces all Medicare Part A claims by 25 percent and later 50 percent until the AAP loan is repaid. Additionally, many one-time state infusions of funds from State and Local Coronavirus Relief allocations have been exhausted and Medicaid rate add-ons, in the 26 states which offered such support, are ending. Some states are extending Medicaid assistance, but not all, and it is unclear whether assistance will be offered from State and Local Coronavirus Funds.

Conclusion
We greatly appreciate HHS' support and assistance as well as the responsiveness of your PRF team. As part of this dialogue, we look forward to discussing how the PRF final report and return of unused funds date could be moved to December 30, 2022 while meeting HHS' oversight responsibilities.

Sincerely,



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