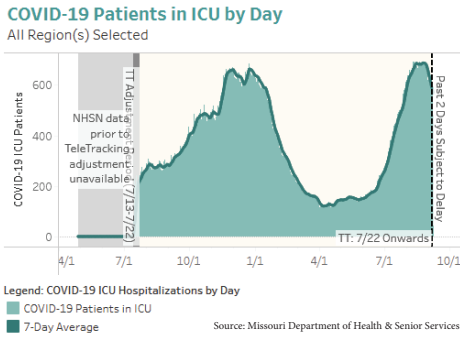
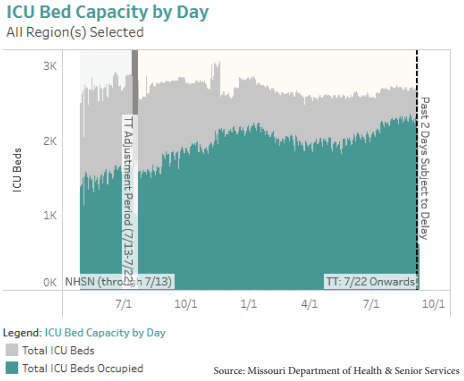
IMPACT OF THE DELTA VARIANT ON MISSOURI HOSPITALS:

ICU Utilization Outpaces Previous Surges; Staffing Constraints Continue to be Greatest Challenge

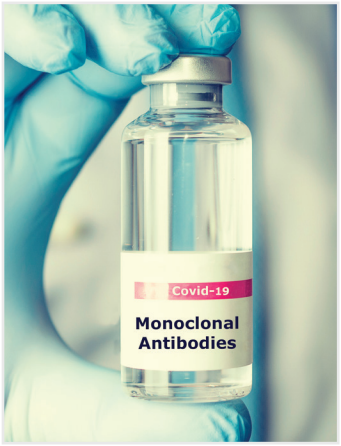
Despite promising signals during early spring 2021, lower vaccination rates and the emergence of the Delta variant have resulted in a fourth wave of case growth and hospitalizations. The new surge first occurred in Missouri's Northwest region, migrated to the Southwest region and continued to spread resulting in a statewide impact. As reported by hospital leaders, unvaccinated patients hospitalized with the Delta variant of SARS-CoV-2 are younger and progress more quickly to require intensive care and ventilator support. Staffing shortages, limited ICU bed availability, the inability to transfer patients requiring higher levels of care, and timely access to COVID-19 medication are the primary challenges hospitals are facing.





Suspected & Confirmed COVID+ Patients		CEN	KC	NE	NW	STL	SE	SW	MO
Inpatient Admissions	2020 Peak	248	644	84	143	1,238	184	524	2,862
	June 2021 Daily Avg.	66	146	7	23	268	7	254	770
	Sep. 1-7 Daily Avg.	161	506	27	57	795	116	392	2,063
	Sep. 1-7 % of 2020 Peak	65%	79%	32%	40%	64%	63%	75%	72%
	Sep. 1-7 % Ch. from June Avg.	146%	247%	280%	144%	197%	1658%	54%	168%
ICU Admissions	2020 Peak	64	139	50	17	290	44	174	685
	June 2021 Daily Avg.	19	33	1	4	57	1	83	198
	Sep. 1-7 Daily Avg.	48	137	11	11	190	36	143	581
	Sep. 1-7 % of 2020 Peak	74%	98%	23%	66%	65%	82%	82%	85%
	Sep. 1-7 % Ch. from June Avg.	147%	314%	669%	207%	235%	3514%	72%	193%

Source: MHA analysis of HHS Protect TeleTracking data, 7/16/2020 through 9/7/2021



MISSOURI'S EFFORTS TO REDUCE HEALTH CARE SYSTEM STRAIN THROUGH MONOCLONAL ANTIBODY INFUSIONS

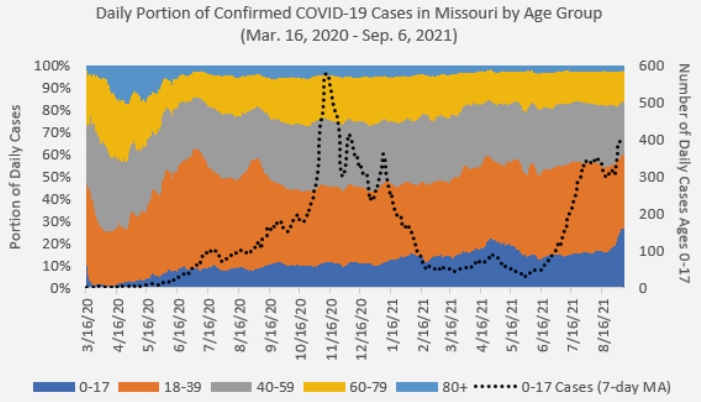
Monoclonal antibodies are synthetic proteins that mimic the immune system to reduce the risk of severe disease and hospitalization for individuals at high risk of severe disease if administered within 10 days of symptom onset. mAb infusions continue to be a sound strategy to reduce COVID-19 hospitalizations and reduce additional strain on health care operations during a time when hospitals are operating near capacity. The state of Missouri initiated a contract to establish strategically placed regional mAb infusion centers to reduce the current strain on the health care system. Missouri hospitals played an integral part in site selection and set up, and continue to provide support to these sites. In addition to these regional sites, many hospitals offer these infusions through outpatient settings. To support these efforts, the Missouri Department of Health and Senior Services issued a statewide standing order authorizing eligible health care providers to administer mAbs in accordance with the U.S. Food and Drug Administration's emergency use authorization.

THE FOLLOWING ARE EXCERPTS FROM MHA'S WEEKLY DATA SPOTLIGHT

As Schools Resume, Children Account for Record Portions of COVID-19 Cases in Missouri

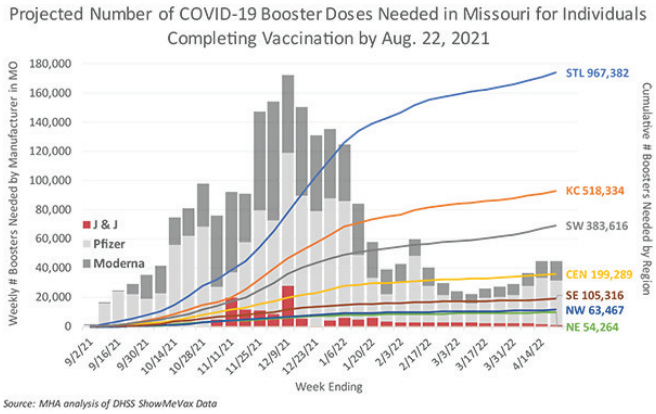
September 7, 2021

The American Academy of Pediatrics and the Children's Hospital Association released a report that found children accounted for 22% of new COVID-19 cases in the U.S. during the week ending Aug. 26. In Missouri, children ages 0 to 17 accounted for more than one-quarter of all new cases last week, the highest portion recorded throughout the pandemic. Through August, children accounted for 11.8% of total COVID-19 cases in Missouri throughout the pandemic. During the first week of September, however, they accounted for more than one in four new cases — a 113% relative increase — while all other age groups have accounted for a smaller portion of new cases.



For the latest data on COVID-19 cases among children in Missouri by school district, see the Missouri Department of Health and Senior Services' School Districts dashboard, jointly developed by MHA, the Missouri Department of Elementary and Secondary Education, and the Missouri School Boards Association.

Federal Officials Announce Proactive Plan For COVID-19 Boosters



August 24, 2021

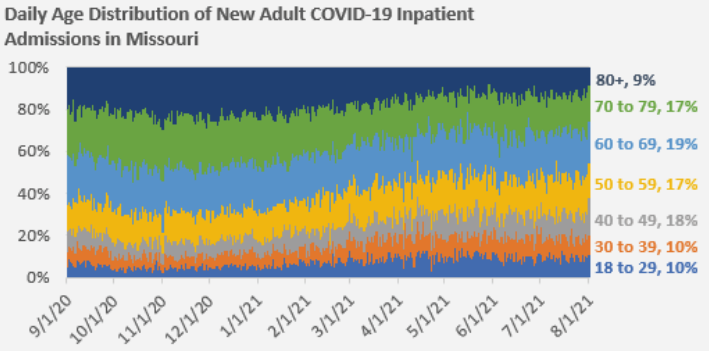
Using the Missouri Department of Health and Senior Services ShowMeVax data to project the weekly number of booster shots needed by Missourians, the largest number of doses required to complete boosters at the recommended eight-month interval will coincide with the upcoming holiday season, between late November 2021 and early January 2022. This analysis is assuming all vaccinated individuals will need a booster dose. The actual rollout will depend on a review by the CDC's Advisory Committee on Immunization Practice, and emergency use authorization from the U.S. Food and Drug Administration.

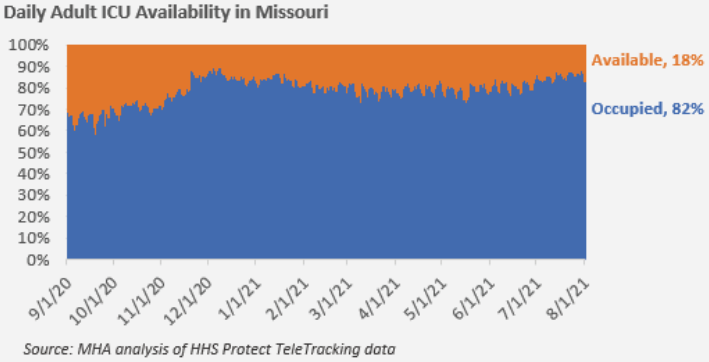
Intensive Care Units Filling; New COVID-19 Admissions Younger

August 3, 2021

Last week, Missouri hospitals reported a daily average of 13.9% total adult ICU beds in the state as being unoccupied. During the winter peak surge months, the daily average ICU bed availability reported by Missouri hospitals to the HHS Protect Platform was 16% unoccupied. Hospitals across the state report the rapid progression in acuity of patients infected with the Delta variant typically expedites the need for ICU-level care compared to previous strains.

Hospitals across the state also report younger patients being hospitalized with the Delta variant of COVID-19. The association between vaccine-induced protection and the reported age of new daily COVID-19 hospitalizations among adults in Missouri continues to bear out in the HHS Protect data. On Dec. 13, 2020, 71.2% of new COVID-19 hospitalizations were for individuals ages 60 and older. Since then, more than 70% of older Missourians have initiated or completed vaccination against COVID-19. In August, hospitals reported 52.8% of new suspected and confirmed COVID-19 patients were ages 60 and older.





COVID-19 PUBLIC HEALTH EMERGENCY RELIEF PAYMENTS

Missouri hospitals appreciate the quick and robust action taken by Congress to provide financial assistance in response to the COVID-19 pandemic. The relief came in the form of loans and grants. The Medicare Accelerated and Advance Payments were loans that quickly were distributed to hospitals to provide immediate cash flow. Missouri hospitals received approximately $1.9 billion in MAAP assistance and have begun repaying these loans from the Centers for Medicare & Medicaid Services. Many hospitals also secured forgivable loans through the Paycheck Protection Program, with $77.6 million in PPP loans awarded to Missouri hospitals. Also, Missouri hospitals have received approximately $1.2 billion in Provider Relief Funds authorized by the CARES Act.

For the first tranche of hospitals receiving the Provider Relief Funds, the deadline for expending them was June 30, 2021. However, that deadline was finalized by the U.S. Department of Health & Human Services only three weeks prior on June 11. With scant warning, ongoing supply and vendor delays, and the resurgence of COVID-19, the deadline compels some hospitals to return these funds in the face of ongoing COVID-19 response needs. Those needs reflect the resurgence of the COVID-19 virus and its variants.

MHA urges the Missouri congressional delegation to support the Provider Relief Fund Deadline Extension Act (S. 2493/H.R. 4735). It would extend the spending deadline to the later of Dec. 31, 2021, or the end of the federal public health emergency. The change would apply to funds received before June 30, 2020.

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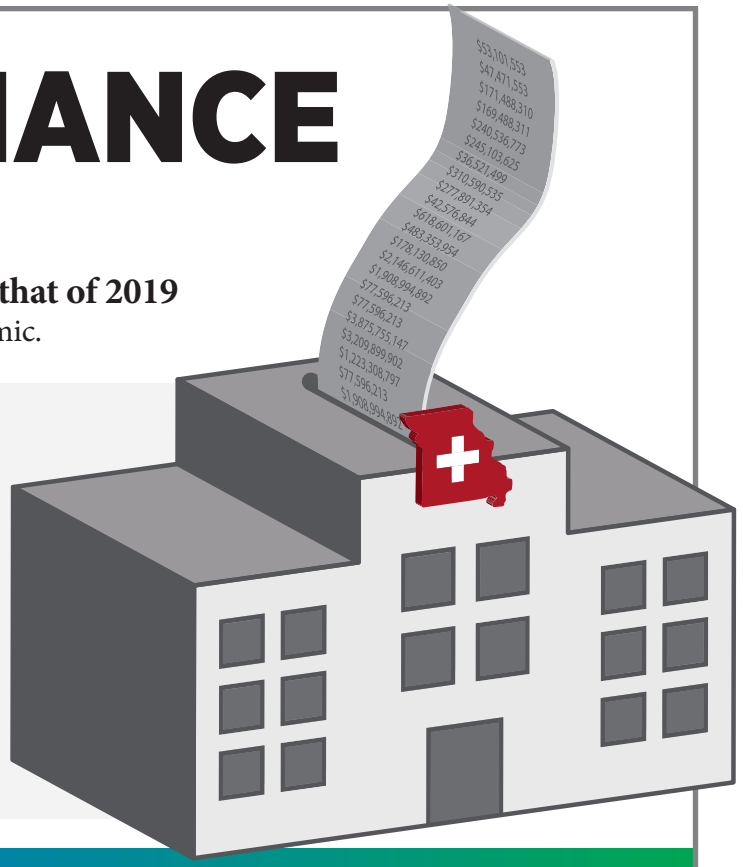
2020 HOSPITAL FINANCE

Decreased Operating Revenue

2020 Hospital operating revenue is projected to be **$1.3 billion** **below that of 2019** due to the decrease in both inpatient and outpatient volume during the COVID-19 pandemic.



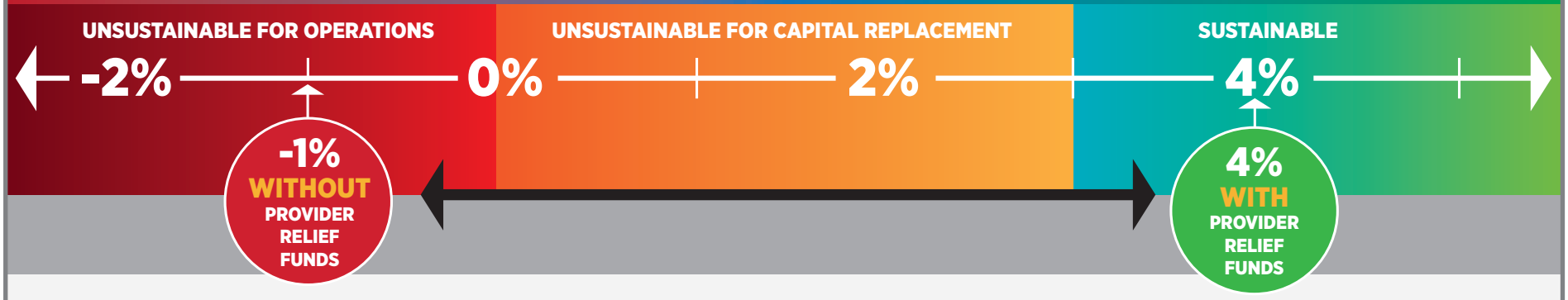
Increased Expenses

Hospital expenses are projected to **increase** **$550 million** **from 2019**.

EXPENSE INCREASES DRIVEN BY:

- Pharmacy and non-PPE medical supply expenses
- PPE
- Wages and contract labor
- COVID-19-related capital expenditures

MISSOURI HOSPITALS' PROJECTED 2020 OPERATING MARGIN



Hospitals received $1.3 billion in non-loan federal COVID-19 relief funds requiring audit justification. The 4% operating margin projection presumes all of these relief funds will be retained.

Data based on January 2021 survey of MHA-member hospitals, with a 55% response rate.

STRENGTHENING THE HEALTH CARE WORKFORCE

The ongoing COVID-19 pandemic has proven that the capacity of Missouri's health care system to respond to an extended public health emergency depends on a sufficient supply of health care practitioners resilient enough to meet the care demands without succumbing to exhaustion. In this fourth wave of the 18-month COVID-19 pandemic, the predominant challenge for hospitals has been maintaining its health care workforce.

The pandemic exacerbated workforce challenges that predated COVID-19. Congress provided a strong response to the pandemic through various streams of federal relief funds to state and local governments, and hospitals and health care providers, among others. Those funds have been instrumental in helping health care providers and their patients weather the storm. But more is needed to respond to the resurgence of COVID-19 through the Delta variant. The authority to spend some of those federal funds has lapsed, and some of the funds designated for providers sit unallocated in the federal treasury.

Beyond the immediate need for emergency relief funds, MHA urges Congress to consider a national initiative to strengthen the infrastructure to train and sustain the health care workforce of Missouri and the nation. Meanwhile, the following bills offer promise for expanding the availability of the health care practitioners on which Missouri communities rely. Some focus on shorter-term solutions; others address longer-term provider training needs.

- **Healthcare Workforce Resilience Act (S.1024/H.R. 2255):** This bill would expedite the visa authorization process for qualified international nurses and physicians to support hospitals facing staffing shortages. Senator Blunt and Representatives Cleaver and Long are cosponsors.

- **Resident Physician Shortage Reduction Act of 2021 (S.834/H.R. 2256):** This bill would help address physician shortages by adding 14,000 Medicare-funded residency slots. Representative Cleaver is a cosponsor.

- **Dr. Lorna Breen Health Care Provider Protection Act (S.610/H.R. 1667):** This bill aims to prevent suicide, burnout and behavioral health disorders among health care professionals. Representative Cleaver is a cosponsor.

- **Future Advancement of Academic Nursing (FAAN) Act (S.246/H.R. 851):** This bill would support education and provide resources to boost nursing training by expanding nursing faculty capacity.

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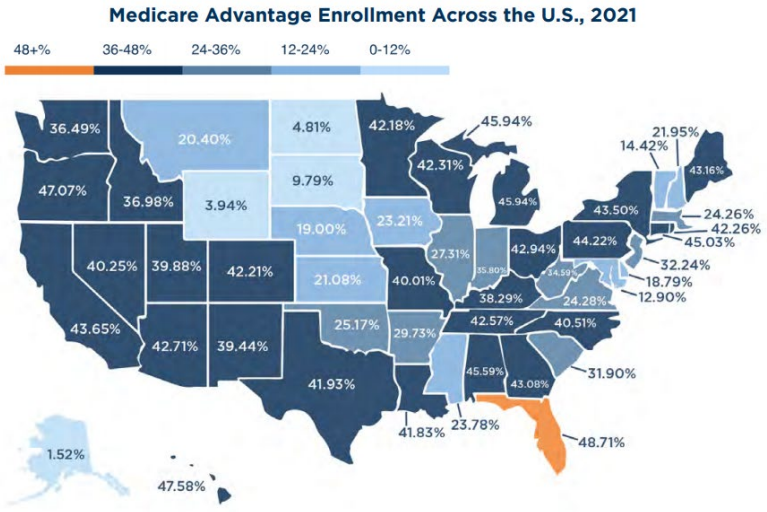
MEDICARE ADVANTAGE
PRIOR AUTHORIZATION REFORM

Medicare beneficiaries have a choice to enroll in a traditional Medicare fee-for-service plan or a Medicare Part C plan. Medicare Part C, also known as Medicare Advantage, is a program in which the Centers for Medicare & Medicaid Services contract with a nongovernmental insurer to provide coverage for Medicare eligible beneficiaries. In 2019, CMS paid MA plans approximately $274 billion to cover 22 million beneficiaries. Nearly 40 percent of all Medicare beneficiaries in Missouri are enrolled in a Medicare Advantage plan.



Source: Medicare Advantage Enrollment Map, Better Medicare Alliance, 2021.

Most MA plans require hospitals to acquire prior authorization for patients to be discharged to post-hospitalization care such as home health, skilled nursing, inpatient rehabilitation, inpatient psychiatric and long-term care hospitals. Prior authorizations are needed when a hospital either is contracted or not contracted with the MA insurer. Hospitals have long voiced problems in receiving prior authorizations and lack of transparency from the MA plans. The COVID-19 public health emergency exacerbated these concerns when hospitals were at capacity and needed to transfer patients to accept incoming patients. Although COVID-19 hospital admissions have somewhat declined, MA plans continue to disrupt patient flow by either delaying or denying prior authorization.

Representative Susan DelBene, (D-Wash.), has introduced the Improving Seniors' Timely Access to Care Act of 2021 that addresses part of these concerns. H.R. 3173 would compel insurers to establish an electronic prior authorization system that includes real-time decision making for items and services that routinely are approved, annually publish prior authorization information including the percentage of requests approved and the average response time, and meet standards relating to the quality and timeliness of prior authorization determinations as established by CMS.

H.R. 3173 has received strong bipartisan support. Currently, 104 Democrats and 74 Republicans have signed on as cosponsors. MHA applauds the support of five Missouri house members who have done so — representatives Cleaver, Hartzler, Long, Smith and Wagner. **MHA urges the Missouri congressional delegation to advance the changes of H.R. 3173 in the legislative process.**

MISSOURI HOSPITAL ASSOCIATION

PROTECT COMMUNITY ACCESS TO 340B DISCOUNTED DRUGS

The 340B drug discount program authorizes price discounts on the purchase of pharmaceuticals by the designated safety-net hospital and clinic providers specifically authorized by Congress. More than 60 Missouri hospitals participate. They use the savings to enhance their capacity to deliver care to vulnerable populations and support other essential community services.

The 340B eligibility requirements are established by Section 340B(a)(4) of the Public Health Service Act. Hospitals have various ways in which to become eligible. Many hospitals qualify as 340B providers based on the number of low-income Medicare and Medicaid patients they serve. Hospitals that qualify for 340B status based on services provided to low-income Medicare and Medicaid patients must have a Medicare disproportionate share adjustment percentage greater than 11.75%. This percentage is based on a formula that accounts for the geographic location, number of beds, and patient mix of low-income Medicare and Medicaid recipient inpatient days.

Many low-income patients deferred hospital care during the COVID-19 pandemic. In calendar year 2020, MHA estimates that hospitals in Missouri realized reductions in revenue of $1.3 billion. The reduction in patient volume has changed the ratio of low-income Medicare and Medicaid patients served as compared to the total patient population. Due to the pandemic and deferral of services by low-income patients, hospitals' 340B status can become jeopardized.

Legislation introduced by Senator John Thune, (R-S.D.), and Representative Doris Matsui, (D-Calif.), will protect the 340B qualifying hospitals from losing eligibility during the COVID-19 public health emergency. These bills would waive the required minimum proportion of low-income patients served for hospitals enrolled in the 340B program prior to the COVID-19 PHE. **MHA urges the Missouri congressional delegation to support S. 773 and H.R. 3203.** MHA thanks Senator Hawley and Representative Hartzler for their support of S. 773 and H.R. 3203.

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PROTECT THE 340B DRUG DISCOUNT PROGRAM

Missouri's hospitals and others oppose the recent efforts of pharmaceutical manufacturers to limit the breadth of the 340B drug discount program.

A number of pharmaceutical manufacturers have instigated diverse but well-choreographed efforts to upend long-standing 340B practices. Some rely on onerous new demands for data and documentation couched as criteria for payment. Others arbitrarily declare that drug discounts no longer will be provided through contract pharmacies, brazenly attempting to negate by fiat a well-established component of the 340B program.

By unilaterally creating new obstacles to the use of 340B drug discounts to benefit low-income patients, the pharmaceutical manufacturers trim their financial obligations. The "cost" of the 340B program is borne by pharmaceutical manufacturers, not the federal treasury.

We believe their efforts are illicit and unjustified.

The pharmaceutical company forays take different approaches, but they all run counter to both the letter and spirit of the 340B law. MHA and the Missouri Primary Care Association previously asked the U.S. Department of Health and Human Services to use its regulatory authority to block them. The agency has written strong letters reiterating its opposition to the pharmaceutical manufacturers' attacks, but the agency has limits on its regulatory authority over 340B. If HRSA action or pending litigation fail to do so, Missouri's 340B hospitals urge Congress to step in to protect the integrity and intent of the 340B law.

- Enacted in 1992 and last expanded in 2010, the 340B law requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to safety-net providers, including community health centers and various types of hospitals.

- 65 of Missouri's 142 hospitals participate in the 340B program, distributed as follows in the congressional districts:

    - Bush — 4
    - Wagner — 2
    - Luetkemeyer — 5
    - Hartzler — 8
    - Cleaver — 5
    - Graves — 15
    - Long — 10
    - Smith — 16

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MEDICAL DEBT COLLECTION

Medical debt collection has been the focus of media stories and debate among lawmakers and regulators. Medical debt differs from other types of consumer debt. Once health care is provided to a patient, it cannot be repossessed or undone. Also, some services must be provided to patients without regard to their ability to pay as prescribed by law and regulation. Because of this, hospitals often are left with little leverage or tools to collect unpaid medical debt.

Medical debt is incurred when insured patients do not pay for the out-of-pocket expenses remaining after their insurer has paid the provider. These out-of-pocket expenses are not unexpected "surprise bills," as the hospitals are collecting the expected amount defined by the insurer's plan of coverage. Much of the patients' out-of-pocket responsibility remains unpaid and is written off as bad debt. Due to increasing deductibles and cost-sharing obligations, throughout the past five years the amount of bad debt written off has increased 18.7% in Missouri to $1.8 billion.

Due to the difficulty in collecting medical debt from patients, hospitals sometimes use outside collection agencies, which often are engaged early in the collection process. The initial contact by an agency usually is limited to sending statements, contacting the patient guarantor to remind them of the balance and setting up payment arrangements. These services are known as "early out" services. After a debt ages and the patient is either unwilling to pay or will not respond, the agencies can advance to more aggressive collection actions. If hospitals could not contract with outside collection agencies to manage these outstanding debts, they would be compelled to directly employ collectors, which reduces efficiency and adds to the overhead cost of services provided.

Representative Maxine Waters, (D-Calif.), introduced, and the House passed, a bill that if signed into law would create new debt collection restrictions. H.R. 2547 has been referred to the Senate Banking, Housing, and Urban Affairs committee. Among other changes, the bill would, until two years after the first payment is due, prohibit a consumer reporting agency from adding information related to a debt arising from medically necessary procedures onto a consumer's credit report and prohibit third-party debt collectors from engaging in medical debt collection efforts. H.R. 2547 would remove leverage from hospitals to collect on unpaid medical bills and force hospitals to hire medical debt collectors to work directly for the hospital. **MHA urges the Missouri congressional delegation to not support H.R. 2547 or other bills that hamstring hospitals from collecting payment for services rendered.**

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