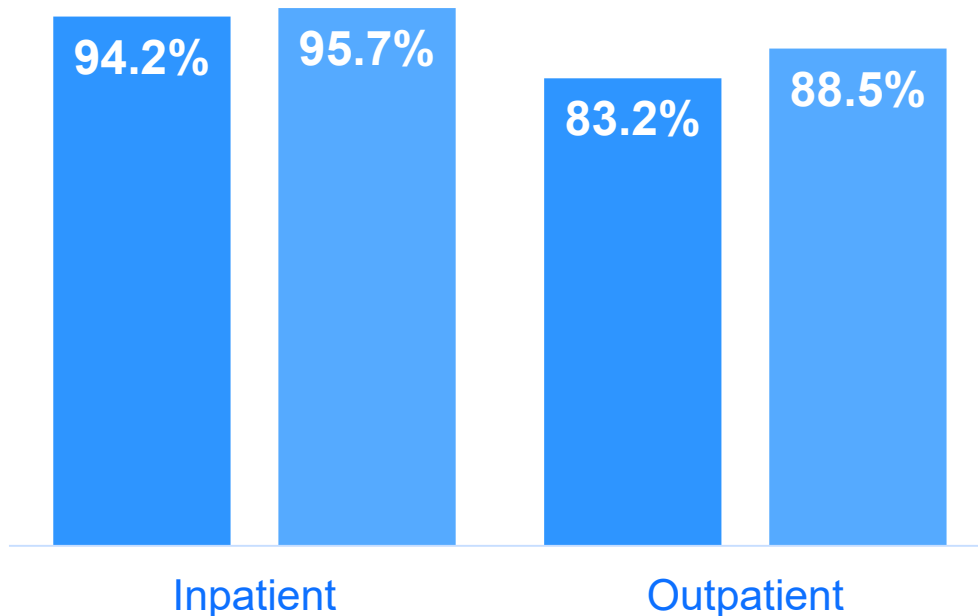


COVID Funding Update and FY 2020 GBR Considerations

June and July 2020 Volumes are Close to Historic Levels

Blended 2020 Volumes as % of 2019 Levels

■ June '20 ■ July '20



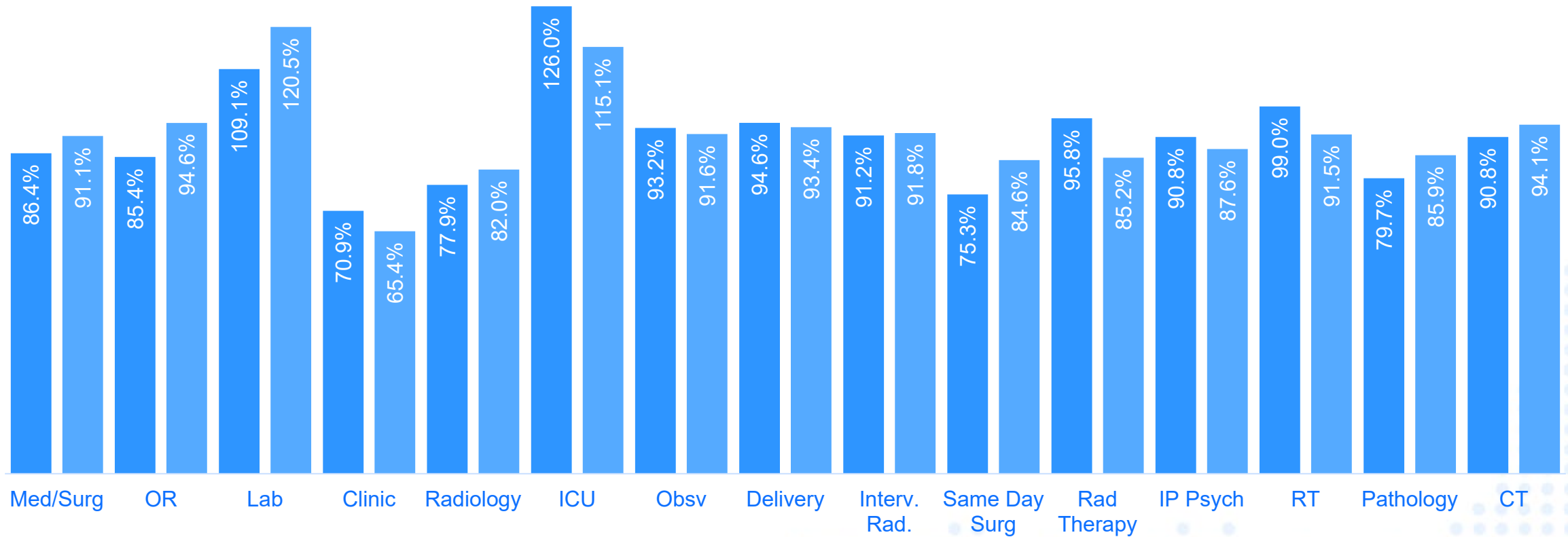
- For June and July 2020 hospital volumes were close to historic levels. With permitted corridor expansion revenue matched standard levels
- Simple average across hospitals yields similar results suggesting relatively even recapture.
- ED is excluded as June over June comparison is distorted by 7/19 RVU changes. July ED volumes were 75% of same time prior year.

Source: HSCRC Financial reporting, volume relationship is calculated separately for each revenue center and then aggregated based on share of June 2019 total revenue. ED is excluded due to change in units on 7/1/19. Med Surg and Drugs excluded as units are not reported.

June and July 2020 Volumes for Major Revenue Centers

% of Same Month Prior Year 2019 Revenue

■ June ■ July



Note: ED excluded due to change in RVUs as of 7/1/2019 resulting in inconsistent units.

Update on COVID-19 Surge Policy

- On April 30, 2020, the Commission approved a recommendation stating that hospitals would be funded beyond the GBR to the extent that COVID cases caused them to exceed the GBR.
- Under this recommendation, the funding was equal to the amount by which standard COVID and non-COVID charges exceeded the original GBR.
- Staff has completed this calculation and determined that for FY 2020 no hospital met these conditions, and no additional funding is required.
- Staff is recommending the termination of this policy due to the following:
 - The substantial return of elective volumes
 - The transition of COVID management to an ongoing part of operations
- The Commission can revisit this policy should COVID once again significantly impact elective volumes.

Staff Recommendation on Termination of COVID Surge Funding

Given the return of elective surgeries in June and the relatively low rate of new COVID cases, the staff recommends that the Commission determine the COVID Surge Policy to be terminated as of June 30, 2020, and that in accordance with the original policy there are no amounts due under this policy for FY2020.

Should COVID cases spike in the State, the Commission can revisit the COVID Surge Policy.

CARES Act and Federal Funding Introduction

- HSCRC has two sources of information on Federal COVID funds received:
 - A survey of hospitals performed by the HSCRC and attested to by hospital CFOs (Survey Report).
 - Federal reporting data (Federal Report) accessible at: <https://data.cdc.gov/Administrative/HHS-Provider-Relief-Fund/kh8y-3es6>.
 - The Federal Report only updates when hospitals attest to the funding received but is otherwise the most complete report available at an entity level.
 - As a result there may be some delay in the reporting and staff will continue to refresh these analyses as the Federal government updates this report
- These sources do not agree for some systems. Staff continues to work with hospitals to reconcile. For the current undercharge analyses the HSCRC is using the greater of these two amounts.
 - Where the Federal Report is lower than the Survey Report staff expect it is a function of timing and that as the Federal report is updated amounts will be more comparable. In these cases we have used the Survey Report.
 - Survey Report may be lower than the Federal Report depending what funding tranches hospitals included. Staff is working with the relevant hospitals. In these cases we have used the Federal Report.
- In addition to grant funding discussed above Maryland hospitals have received Federal loan funding of about \$1.5 Billion.

CARES Act and Federal Funding (\$ Millions)

Staff is currently estimating total Federal funding received by Maryland GBR hospitals of \$851 M of which \$809 M relates to regulated business.

Systems grouped by whether Survey Report was more or less than Federal Report (1)	Federal CARES Act per Federal Report (2)	Other Federal Funding per Survey Report (2)	Total Funding per Federal Report	Funding per Survey Report	Survey Report Higher (Lower) than Federal Report	Total Federal Funding Assumed	Regulated Funding Used in Undercharge Analysis (3)
Calculation	A	B	C = A+B	D	E = D - C	F = Greater of C and D	Regulated Portion of F
Survey Higher (6 Systems)	164.2	7.3	171.5	271.6	100.2	271.6	252.9
Equal (7 Systems)	58.5	4.0	62.6	63.2	0.6	63.2	56.9
Survey Lower (5 Systems)	504.2	11.7	515.9	392.9	(123.0)	515.9	499.5
Total	726.9	23.0	749.9	727.7	22.1	850.7	809.4

1. See discussion on prior slide.
2. Based on the documentation staff does not believe the Federal Report includes Sequestration or Uninsured funding, therefore these are derived from the HSCRC survey and shown in Column B.
3. This comparison is performed using total funding as Federal reporting does not segregate allocations to unregulated revenue within the same entity. For hospitals where the Survey Report more or the same as the Federal Report staff is using the reported regulated amount. For those underreporting versus the Federal report staff is using the Federal amount plus the uninsured and sequestration amount reported times the % regulated revenue. Staff are comparing survey reported allocation between regulated and unregulated to the revenue reported in schedule RE and review with hospitals when the allocation is materially different.

FY20 Undercharge Position (\$ Millions)

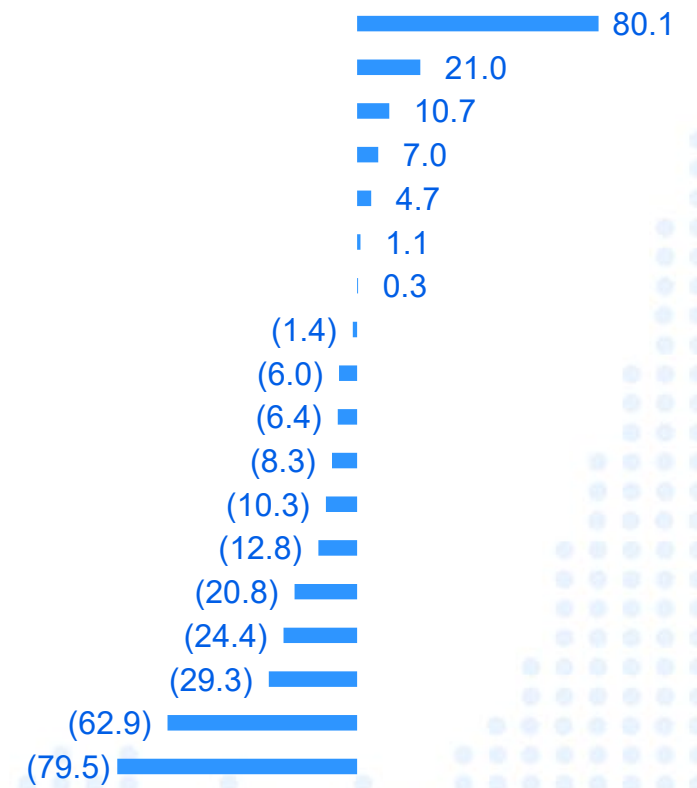
Staff estimates Maryland hospitals were collectively \$137 M undercharged in FY20, but \$262 M undercharged including only those with an undercharge.

By Undercharge Status

	System Count (1)	GBR	Revenue	Over (Under) Charge	Assumed Federal Funding (2)	Net Over (Under) Charge
Undercharged	11	13,162.0	12,365.3	(796.7)	534.7	(262.1)
Overcharged	7	5,211.1	5,061.4	(149.7)	274.7	125.0
Total	18	18,373.1	17,426.7	(946.4)	809.4	(137.1)

1. The HSCRC is planning to implement the undercharge policies at a system level as some hospitals chose to allocate their Federal funding disproportionately across their member hospitals.
2. See prior slide.

By system, Over (Under) Charged



Undercharge/Overcharge Recognition Guidance

- The HSCRC anticipates that any final overcharge will be recovered either by the Federal Government or the HSCRC.
 - Hospitals will only be able to retain those funds if their FY20 Annual Filings justify additional expenses.
 - Until FY20 Annual Filings are submitted and more information is available on Federal recovery the HSCRC will not recover any amounts.
 - Hospitals should not recognize this revenue in their financial statements in the meantime.
 - Hospitals that are in an undercharge position may not recover more than their undercharge, net of the regulated portion of CARES funding. Once FY20 cost reports are available additional amounts may be used to offset costs.
- As previously communicated, for FY21 Hospitals should eliminate COVID-related corridor expansion once their FY20 undercharge is recovered.
- Staff will issue a memo confirming this guidance and staff's understanding of each hospital's position as a follow-up to this discussion.