



April 24, 2020

The Honorable Governor Dunleavy  
550 West 7th Avenue, Suite 1700  
Anchorage, AK 99501

RE: COVID-19 Financial Impact to Alaska's Hospitals and Nursing Homes

Dear Governor Dunleavy,

First, we want to thank you for your leadership during the COVID-19 crisis. This has been a defining moment for us all, and we commend you on rising to the challenge.

We last wrote you on March 20 to make a plea for the State to set aside \$75 to \$100 million in an emergency contingency fund for Alaska's hospitals and nursing homes to draw from based on a demonstration of need. This marked the beginning of the COVID-19 fight, and we were especially concerned about the financial solvency of many of Alaska's hospitals and nursing homes based on the unprecedented projected revenue declines.

Now that we are well over a month into the COVID-19 fight, we feel it is prudent to revisit the financial position of Alaska's hospitals and nursing homes, and report on any concerns. Alaskans from all walks of life have made personal and professional sacrifices to help flatten the curve. Since our facilities are often the largest employers in communities, and given the direct role that hospitals and nursing homes play in responding to the outbreak, the economic stability of Alaska's health care system is of special concern.

While we have done our part to cancel all non-essential health care services in preparation for a COVID-19 spike, it has come at a great cost to our operations. At this moment in time, hospital operations are running anywhere from 50% to 70% below prior year levels, and stalled volumes are projected at least through June. This means hospital admissions are generally down by at least 50% across the state; all service lines are significantly down with some operating at 0% compared to prior year; and, hospital outpatient services have been all but decimated.

This decline in hospital operations has created a harmful ripple effect on nursing homes. A significant portion of nursing home admissions come from patients transitioning down from hospital care, which means nursing home operations are also running below normal levels. Additionally, some nursing homes have declined admissions to clear space for isolation areas in preparation for positive COVID-19 cases.

Since revenue correlates with operations, the financial result to date is catastrophic to hospitals and nursing homes. Individual facility revenue losses are estimated in the tens of millions of dollars. Small and mid-size hospitals are planning for losses between \$2.3 million and \$11.4 million from operational declines in April through June. Larger facilities are bracing for losses in the \$40-\$50 million range.

These losses are staggering, but the consequences are even more alarming. One critical access hospital reports that if negative operational trends continue past June, it will deplete its operating cash. Another is expecting to lose a minimum of 59 days of cash on hand due to the declines, which means it is on track to reach critical cash levels in about a month. Some health systems are publicly bracing for furloughs and layoffs, and at least one nursing home is approaching “negative territory.”

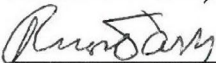
The questions on all of our minds are what if we cannot recover; what if we lose a facility? Alaska’s health care system was already in a fragile state prior to this pandemic. Alaska has approximately 2.0 acute care beds per 1,000 people. The national average is 2.5 acute care beds, and only eight other states have a ratio that is below Alaska. Additionally, over half of Alaska’s hospitals and nursing homes are not on the road system, which means that we have access challenges that are above and beyond those in any other state because 21% of our acute care beds are in communities that are only reachable by boat or plane. Finally, Alaska has the fewest nursing home facilities, beds, and beds per capita in the country. To lose a single hospital or nursing home would be a devastating blow to health care access.


Based on the impact to revenue we are seeing at our facilities, the Alaska State Hospital & Nursing Home Association projects a monthly statewide impact of \$70.7 - \$78.3 million in revenue decline to hospitals and nursing homes. On the low end, this aggregates to \$282.8 million for March through June. Given that some federal aid is coming directly to facilities through the CARES Act, we request that the State set aside at least \$150 million in funding for grants to Alaska’s hospitals and nursing homes. This funding may make the difference between financially recovering or dissolving for facilities.

We want to again thank you for your leadership. We will continue to do our part in the fight against COVID-19, and take great pride in being the backbone of Alaska’s health care system.


Sincerely,

*Alaska State Hospital & Nursing Home Association Executive Committee*

  
Richard Davis, CEO  
Central Peninsula Hospital

  
Preston Simmons, CEO  
Providence Health & Services  
Alaska

  
Roald Helgesen, CEO  
Alaska Native Medical Center

  
Chuck Bill, CEO  
Bartlett Regional Hospital

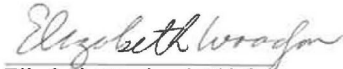
  
Julie Taylor, CEO  
Alaska Regional Hospital

  
Ruth Johnson, Administrator  
Wildflower Court

  
David Wallace, CEO  
Mat-Su Regional Medical Center

  
Ryan Smith, CEO  
South Peninsula Hospital

  
Robert Rang, CEO  
Providence Seward Medical and  
Care Center

  
Elizabeth Woodard, Chief of  
Clinical Services and Administrator  
Denali Center

  
Jared Kosin, President and CEO  
ASHNHA