

October 18, 2021

The Honorable Tom Vilsack
Secretary, Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Vilsack:

I am reaching out to you on behalf of the National Rural Health Association (NRHA). NRHA is a non-profit membership organization with more than 21,000 members nationwide that provides leadership on rural health issues. Our membership includes nearly every component of rural America's health care, including rural community hospitals, critical access hospitals, doctors, nurses, and patients. We provide leadership on rural health issues through advocacy, communications, education, and research.

Rural America is facing a hospital closure crisis. Since 2010, 138 rural hospitals have closed their doors: 20 closed last year amid the COVID-19 pandemic. USDA's Community Facilities Direct Loan and Grant Program helps financially stressed rural hospitals access capital. Facilities who apply to the program tend to struggle to secure funding through other mechanisms, and consequently, they rely on program funds to make necessary improvements. Currently, there are over 200 rural hospitals that borrow through the program, which account for over 400 outstanding loans. According to our data, the majority of these facilities have loans with interest rates between 4 to 6 percent on a 30 to 40-year loan ranging in amount from \$40 million to \$2 million. It is our understanding that USDA has current market interest rates for the fourth quarter of fiscal year 2021 at 2.25%.

Section 6103 of the 2018 Farm Bill provided USDA the authority to allow facilities awarded under the Community Facilities Direct Loan and Grant program to make loan modifications to allow rural safety net providers to refinance their loans at a lower interest rate. The statute permits USDA to assist a rural hospital with refinancing debt if "the assistance would help preserve access to a health service in a rural community, meaningfully improve the financial position of the hospital, and otherwise meet the financial feasibility and adequacy of security requirements of the Rural Development Agency." USDA Direct Loan rates generally correlate with the larger interest rate environment. Delaying the implementation of Section 6103 prolongs high interest debt payments and could result in a lost opportunity for rural hospitals to refinance their loans at the current, historically low interest rates. Notably, the Federal Reserve has been clear that interest rates are expected to increase in the near future.

Currently, rural providers are overburdened by new COVID-19 outbreaks, unsustainable and uncertain relief funding, and significant workforce shortages, and NRHA is fearful of what this winter will mean for financially stressed rural safety net providers. Further refinancing would allow many of these facilities to use their dollars to address other outstanding needs. **It is**

imperative that USDA procure these regulations as soon as possible and not to let the current timeline of May 2022 for publication extend further. As COVID-19 ravages our most vulnerable communities, it is essential flexibility is allowed for small, rural providers on the front line of the pandemic response. NRHA urges USDA to quickly release regulations to address this important lifeline program for our rural communities.

Sincerely,



Alan Morgan
Chief Executive Officer
National Rural Health Association