

**AUGUSTA VICTORIA HOSPITAL (AVH)
and the EAST JERUSALEM HOSPITALS NETWORK (EJHN)**

Summary of Financial Situation

Questions and Answers

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LWF's Augusta Victoria Hospital in Jerusalem has been facing a chronic financial crisis, for many years, due to the extensive delays in payments of bills for patients referred to AVH by the Palestinian Ministry of Health.

During 2020, the crisis continued, partly due to the US cuts in funding to the East Jerusalem hospitals in 2017, 2018 and 2019 totaling \$75 million. AVH was compelled in 2019 to curtail its services by taking two measures: 1) halting intake of patients requiring expensive chemotherapy, which led to 2) halting intake of all new patients in October 2019. In 2020, the COVID-19 pandemic and the many additional measures needed to protect patients and staff exacerbated the financial difficulties of AVH. The pandemic also negatively impacted the hospital's ability to take on new patients.

In October 2019, the LWF and the Palestinian Authority (PA) agreed that the PA would inject the minimum amount of funds needed to resume AVH operations at near-normal levels. The agreement also included provisions intended to reduce the accumulated PA debt to AVH. As of August 31, 2020, the PA debt to AVH stands at NIS 162,729,110.

In order to prevent the PA debt from once again reaching an acute stage where treatment of patients could be interrupted, it is vital that the annual contribution from the European Union continues at the current level and that the annual contribution from the United States is restored to the level of \$25 million for the East Jerusalem hospitals. Unlike the US, the EU has maintained and recently increased its annual contributions: \$10,355,996 in 2017; \$6,703,402 in 2018; \$8,522,949 in 2019; and \$18,605,453 in 2020.

Questions and Answers

What is Augusta Victoria Hospital (AVH)? AVH is a center of medical excellence in East Jerusalem, serving the five million Palestinians in the West Bank and Gaza. As one of the six hospitals in the **East Jerusalem Hospitals Network**, AVH offers specialized care not available in other hospitals in the West Bank and Gaza, including radiation therapy for cancer patients and pediatric hemodialysis.

AVH receives patients from the West Bank and Gaza referred by the Palestinian Ministry of Health. Approximately 30% of the cancer patients treated at AVH are from Gaza. AVH is accredited by the Joint Commission International for its outstanding quality. AVH, located on the Mount of Olives in Jerusalem, is also fully licensed by the Israeli Ministry of Health. AVH is owned and operated by the **Lutheran World Federation (LWF)** and supported by the **Evangelical Lutheran Church in America (ELCA)** and several other member churches of the LWF around the globe.

Which hospitals are part of the East Jerusalem Hospitals Network? Makassed Islamic Charitable Hospital, Red Crescent Maternity Hospital, St. John of Jerusalem Eye Hospital, Princess Basma Rehabilitation Center, St. Joseph's Hospital, and Augusta Victoria Hospital.

Why are the East Jerusalem Hospitals facing a cash crisis? For several years, AVH and other East Jerusalem hospitals have been facing cash-flow problems because of the inability of the PA to pay on a regular basis the bills of the patients it refers to these hospitals. From 2017 onwards, the PA introduced regular monthly payments, and renewed its commitment in 2019, but, as these payments fall short of AVH monthly operating expenses, there is still a considerable debt to AVH and other East Jerusalem hospitals.

It is important to keep in mind two overarching factors that dominate and worsen the situation: the economic crisis of the Palestinian Authority due to the COVID-19 pandemic and the deterioration of the political relationship between the government of Israel and the PA due to the Israeli annexation plans. These factors have a negative impact on the PA and its ability to pay the bills of the patients referred to AVH. Restoring US funding is more crucial than ever.

What kinds of services does AVH offer? AVH has the following care centers and departments: Cancer Care Center, Hematology and Bone Marrow Transplantation Center, Kidney Care Center, Surgery and Ear, Nose and Throat Care Center, Community Care Department, Specialized Center for Child Care, Skilled Nursing and Long-Term Care Facility, Laboratory Medicine Department, and the Diagnostic Radiology Department. In 2019, AVH had 22,514 inpatient admissions, 23,399 dialysis sessions, 21,832 chemotherapy sessions, and 31,332 radiation sessions.

What is the relationship between AVH and the United States? AVH is able to operate because of the support of LWF member churches, like the ELCA, and longstanding partnerships with countries like the United States. In the last decade the US government, through the U.S. Agency for International Development (USAID), invested nearly \$10 million in AVH to bolster its capacity as a cancer center. In addition, the US government provided over several years tens of millions of dollars in aid to help cover the costs of the cancer patients and others referred to AVH and the other East Jerusalem hospitals by the Palestinian Authority (PA).

How is Augusta Victoria Hospital affected? Delays in the PA payments of its debts to AVH -- due in part to the cuts in the 2017, 2018, and 2019 US humanitarian funding for the West Bank and Gaza -- prompted a severe cash-flow crisis for AVH.

It is the intention of the LWF to continue to provide life-saving treatment to patients from the West Bank and Gaza, but the accumulated PA debt has made it difficult to pay pharmaceutical suppliers for medications, pay staff, and avoid interruptions in the treatment of patients. AVH strives to continue and complete the cancer treatment of current patients, but, when medically and ethically acceptable, treatment may at times need to be delayed. AVH has been forced to curtail the intake of new cancer patients on several occasions.

How are US funding cuts related to the Palestinian Authority's patient bills?

AVH and the other East Jerusalem hospitals rely on funding each year from the US, the European Union (EU), and others to cover approximately half of the costs of patients referred to these hospitals. The US Congress approved \$25 million for the financial years 2017 and 2018, to be paid to the PA to help cover the bills of the West Bank and Gaza patients treated in East Jerusalem, but the US Administration withheld the funds. The annual support of the U.S. and the EU is needed to avoid a financial crisis that leads to the interruption of critical medical services.

In March 2018, the US Congress passed the Taylor Force Act in order to strengthen restrictions on aid to the PA in annual appropriations legislation. It is important to note that the Taylor Force Act includes a specific exemption for the East Jerusalem Hospitals Network. Congress, through this exemption, recognizes the vital role of AVH and the other East Jerusalem hospitals and includes this exemption in order to ensure that cancer patients and others are not harmed by the Act.

What can be done to address this situation? The PA, Israel, USA and the international community have an interest in ensuring that the six East Jerusalem hospitals continue to function and play a role in promoting Palestinian access to quality health care. In addition to providing life-saving specialty-care services, AVH and the other East Jerusalem hospitals are helping to foster a constructive environment for future peace negotiations toward a two-state solution and shared Jerusalem. In light of the Administration's decision to withhold the FY 2017, 2018 and 2019 funding to the East Jerusalem hospitals, it becomes all the more urgent to encourage Congress and the Administration to ensure that US funding for the hospitals is restored and transferred early in 2021.

The PA, Israel, the US and EU need to work together to find long-term solutions for the sustainability of the services provided by AVH and the other East Jerusalem hospitals. In addition to addressing the accumulated PA debts to the six East Jerusalem hospitals, it is important that they support reforms of the Palestinian health system, promote ways to increase funding locally, and work to secure ongoing international assistance.

What is the impact of the COVID-19 pandemic on AVH services?

AVH faces numerous additional expenses due to the COVID-19 pandemic and the extra precautions that are necessary to protect the hospital's patients and staff. For example, AVH created a special center to care for cancer and kidney patients, as well as hospital staff, who have tested positive for COVID-19. Also, revenues are

down significantly due to the fact that the hospital has had to delay non-urgent cases and certain other cases because of the COVID-19 pandemic.

What is the status of the agreement between the LWF and Palestinian Authority regarding monthly billings and the gradual reduction of the PA debts?

The PA agreement in October 2019 to increase monthly transfers to the hospital from 5 to 8 million NIS as an advance payment on a monthly basis has not been fully honored. In sum, NIS 56,068,509 have been collected against an expected NIS 80,000,000 for the period Nov 2019 – Aug 2020.

The PA agreed to reduce its accumulated debt in the form of equal monthly installments of 10 million NIS divided over 12-18 payments. As of 31 August 2020, this part of the agreement has also not been fully honored. In sum, NIS 80,473,754 (including NIS 43,204,317 transferred by the EU) have been collected against the expected NIS 100,000,000 NIS for the period November 2019 through August 2020.

The PA agreed to pay 20 million NIS immediately pending verification that the government can financially afford it. This item was fully honored. On October 31, 2019 the PA transferred 20 million NIS to AVH.

The PA Ministry of Finance agreed to release ‘emergency stabilization’ payments on an “as needed” basis, in order to reduce the debts and ensure that the total amount owed is below the overall threshold of 100 million shekels. As of August 31, 2020, this item has not been honored. The receivables as of August 31 stand at NIS 162,729,110.

LWF and the PA agreed that an international financial expert will conduct an audit and financial inspection of AVH. As of August 31, 2020, the PA has not requested this. LWF continues to conduct annual external audits and regular internal audits of AVH.

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The Lutheran World Federation

Ms. Sieglinde Weinbrenner, LWF Representative
P.O. Box 19178, Jerusalem 91191 Israel
Sieglinde.Weinbrenner@lutheranworld.org

U.S. Contacts:

Rev. Mark Brown, LWF Senior Advisor for Advocacy and Fundraising, Washington, D.C. Mark.Brown@lutheranworld.org

Mr. Dennis Frado, Director, Lutheran Office for World Community, New York
Dennis.Frado@elca.org