



Healthcare Consulting | Valuation

CARES Act Provider Relief

HHS releases details released regarding funding allocations

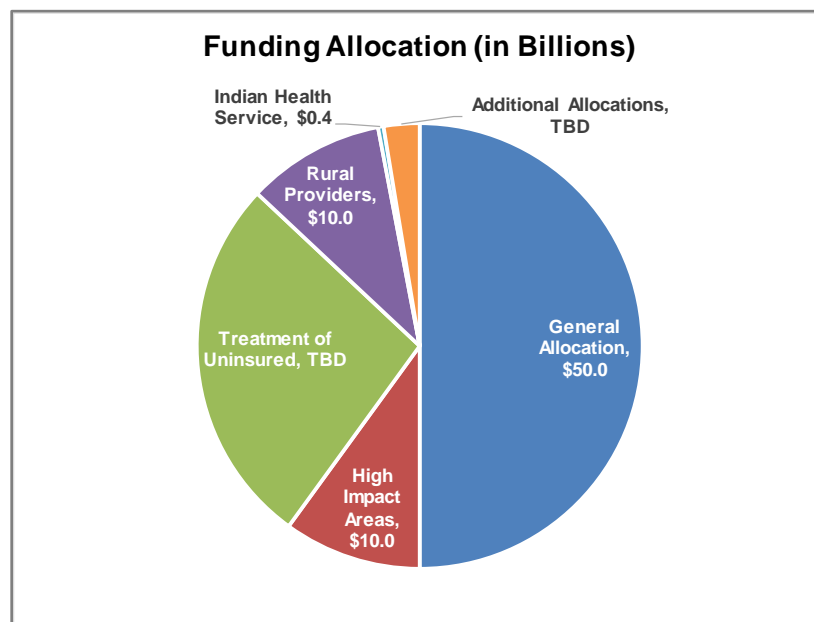
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On April 22, 2020, the Department of Health and Human Services (HHS) released additional details regarding how funds authorized in the CARES Act will be distributed to healthcare providers. According to HHS Secretary Alex Azar, the goal is to distribute the funds as quickly as possible while providing financial help to those most impacted by the pandemic. Further, the desire is to address both economic harm caused by the cancellation of elective procedures as well as costs incurred to plan for and provide care to COVID-19 patients. The allocation methodologies described in this brief are intended to provide transparency and to quickly get the funding to the providers who so desperately need it.



CARES Act Funding

The CARES Act, which was enacted into law on March 27, 2020, authorized \$100 billion in funding to reimburse healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. An initial \$30 billion of the funds has already been distributed, but the HHS release provided further information regarding how the money will be divided up and how allocations of each component will be determined.



Note: The allocation for Treatment of Uninsured and Other amounts have not been specified by HHS; accordingly, the chart above represents an estimate of these allocations assuming that approximately 90% of the remaining funds will be used for Treatment of Uninsured.

General Allocation (\$50 billion)

Half of the total amount of authorized funds (\$50 billion) is included in the General Allocation, which is intended to be distributed to Medicare facilities and providers based on each eligible provider's 2018 net patient revenue. To expedite funding, \$30 billion of this was already distributed to providers on either April 10 or April 17. The allocation of the initial round of funding was based on each provider's proportionate share of Medicare fee-for-service reimbursement in 2019 as a means of getting the funds distributed as quickly as possible. However, the newly issued HHS guidance emphasizes that this was, in effect, an advance on the actual allocation of general funds.

The actual allocation of the \$50 billion will be based on each eligible provider's relative share of 2018 net patient revenue. Accordingly, the portion of the remaining \$20 billion allocated to each



provider will be adjusted to consider the funding already received in the initial distribution. To receive funds, each provider must submit their revenue information to an HHS portal (<https://www.hhs.gov/providerrelief>). On April 4, some providers will be sent an advance payment based on revenue previously submitted in CMS cost reports. However, these providers will still need to submit information to the portal so it can be verified by HHS. Payments will continue to be distributed on a weekly basis as information is validated.

Providers who receive funds from the general distribution must adhere to the following requirements:

- Sign an attestation form confirming receipt of funds, agreeing to terms and conditions of payment, and confirming the CMS cost report;
- Submit documents sufficient to ensure funds were used for healthcare-related expenses or lost revenue attributable to coronavirus; and
- Agree not to “balance bill” COVID-19 patients, or seek collection of out-of-pocket payments in excess of what the patient would have been otherwise required to pay if the care had been provided by an in-network provider.

Targeted Allocation (\$10 billion)

An additional \$10 billion of the Provider Relief Fund is intended to be targeted to areas most significantly impacted by the outbreak of COVID-19 cases. Hospitals must apply for this funding by providing the following information **before midnight on April 23, 2020**:

- Tax ID Number;
- National Provider Identifier;
- Total number of ICU beds as of April 10, 2020; and
- Total number of admissions with a positive COVID-19 diagnosis from January 1, 2020 to April 10, 2020.

The HHS release indicated that eligible hospitals have already been contacted. Distributions will take into consideration the challenges associated with serving a disproportionate number of low-income patients, as reflected by the facility’s Disproportionate Share Hospital (DSH) adjustment.

Allocation for Treatment of Uninsured (TBD)

This category does not have a specified funding amount. However, as announced in early April, a portion of the Provider Relief Fund will be used to reimburse providers for providing care to uninsured COVID-19 patients. Providers who have provided treatment to such patients on or after February 4, 2020 will submit claims through the program and receive reimbursement at Medicare rates, subject to availability of funds.



Providers will need to perform the following steps to receive reimbursement under this program:

- Enroll as a provider participant;
- Check patient eligibility and benefits;
- Submit patient information;
- Submit claims; and
- Receive payment via direct deposit.

Registration for the program will open on April 27, 2020, and claims may be submitted beginning in early May.

Allocation for Rural Providers (\$10 billion)

Rural health clinics and hospitals are particularly vulnerable, as they generally operate on very thin margins and are less likely to be profitable than facilities in more urban areas. Furthermore, they are more financially exposed to increases in expenses or declines in revenue related to the pandemic. Therefore, \$10 billion has been allocated specifically for rural providers. Few details were provided, but funds should be distributed in as soon as a week using an allocation methodology based on operating expenses. The methodology is intended to distribute payments proportionately to each facility and clinic.

Allocation for Indian Health Service (\$400 million)

\$400 million of the Provider Relief Fund will be allocated specifically to Indian Health Service facilities, distributed based on operating expenses.

Additional Allocations (TBD)

While no details were provided, the HHS release indicated that there are some other providers who will receive additional funding, including skilled nursing facilities, dentists, and providers that solely take Medicaid.



Conclusion

The CARES Act represents an unprecedented response to the emergency facing our nation. The team of JTaylor professionals is proactively working to assist our clients in the healthcare industry, both large and small, in receiving the maximum benefit from the operational and financial provisions of the Act, and to help them to respond strategically as they adapt their plans for 2020 and beyond

Given the magnitude of the legislation and the number of agencies involved in administering the various programs, additional guidance and interpretations are being issued on a daily basis. Be assured that we are closely monitoring such guidance to be able to provide up-to-date advice and insight. If you have questions regarding the application of this legislation to your specific circumstance, please contact us. We stand ready to serve you as together we navigate the COVID-19 crisis.



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