

FEDERAL FUNDING OPPORTUNITIES FOR HOSPITALS

Updated April 8, 2020

An overview of direct funding opportunities available to hospitals and health systems from recent legislation, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and guidance issued March 28 from the Centers for Medicare & Medicaid Services (CMS).

Public Health and Social Services Emergency Fund (PHSSEF)

- **Description:** \$100 billion in total funds available to hospitals, health systems, and other providers. Hospitals may *apply* for this funding to “prevent, prepare for, and respond to coronavirus.” Providers will be reimbursed through grants and other payment mechanisms.
- **Eligible providers:** Public entities, Medicare- or Medicaid-enrolled suppliers and providers, and other non-profit and for-profit entities specified by the Secretary of the Department of Health and Human Services (HHS)
- **Eligible expenses:**
 - Health care-related expenses or lost revenues not otherwise reimbursed and directly attributable to COVID-19
 - Examples include forgone revenue from cancelled procedures; building or construction of structures (including retrofitting); medical supplies, equipment, and personal protective equipment (PPE); testing; and increased staffing or training.
 - Funds may not be used for expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- **Distribution of Funds:** CMS recently announced the first round of funding – approximately \$30 billion – will be automatically distributed to hospitals via direct grants based on the proportion of Medicare fee-for-service revenue received by the hospital. CMS has stated that future funding will be targeted to providers not helped by the Medicare fee-for-service methodology and hospitals in COVID-19 hot spots.
- **Application process:** The bill instructs the HHS Secretary to release guidance on the application process and required documentation. ***CHA will share this information as soon as it is available.***
 - Providers will be required to submit reports and maintain documents (as determined by the Secretary).
 - Providers must have a valid tax identification number and will need to submit a statement justifying their need for the payment.
 - Applications will be reviewed on a rolling basis.
- **Payment process:** The bill directs payments to be made on a rolling basis using the most efficient systems practicable for emergency payment, as determined by the HHS Secretary. Payments may include pre-payment, prospective payment, and retrospective payment.

- The bill instructs the Secretary to establish a reconciliation process under which payments must be returned to the fund if other sources provide reimbursement.
- **CHA recommends:** *Hospitals are urged to maintain documentation of COVID-19 related expenses. For example, hospitals should consider:*
 - Creating a specific pay code for employees, identifying hours spent to support the command center, COVID-19 screening, and additional COVID-19-related shifts
 - Using Google sheets to track supplies needed for purchase
 - Tracking overtime associated with COVID-19 for permanent employees
 - Tracking both regular and overtime hours associated with COVID-19 for unbudgeted employees
 - Tracking management costs and keeping detailed timesheets of employees performing grant management and other duties related to COVID-19
 - Tracking any donated resources from volunteer organizations, which may be used to offset the hospital's or health system's non-federal share

Accelerated and Advanced Medicare Payments

- **Description:** Under an expanded option through the Medicare Hospital Accelerated and Advanced Payment Programs, eligible providers may request payments that cover a time period of up to six months. The payment is calculated based on Medicare inpatient, outpatient, and pass-through payment amounts. For details, please see [CMS' fact sheet](#).
- **Eligible providers:** All Medicare providers including acute care hospitals, critical access hospitals (CAHs), children's hospitals, prospective payment system (PPS)-exempt cancer hospitals, and physicians. Specifically, facilities that:
 - Have billed Medicare for claims within 180 days immediately prior to the date of signature on the provider's/supplier's request form
 - Are not in bankruptcy
 - Are not under active medical review or program integrity investigation
 - Do not have any outstanding delinquent Medicare overpayments
- **Payment details:**
 - Providers can request up to 100% (up to 125% for CAHs) of what the hospital would otherwise have expected to receive based on historical payments. The Medicare administrative contractor (MAC) will determine the provider's maximum payment amount.
 - Inpatient prospective payment system (IPPS) hospitals, CAHs, children's hospitals, and PPS-exempt cancer hospitals can request up to six months of payments based on payments received from July 1 – December 31, 2019.
 - All other providers – including long-term care hospitals, inpatient rehabilitation facilities, and inpatient psychiatric facilities – can request up to two months of payments based on payments received from October 1 – December 31, 2019.

- If the provider chooses not to request the maximum payment, the remainder may be requested at a later time within the declared public health emergency.
- **Repayment:** Hospitals will have up to 120 days before CMS begins recouping portions of the advanced payment against future Medicare payments. Beginning on day 121 after the accelerated or advanced payment is made, 100% of claims submitted will offset the amount owed.
 - IPPS hospitals, CAHs, children’s hospitals, and PPS-exempt cancer hospitals will have up to 12 months from the date of the first accelerated payment before any outstanding balance must be paid in full.
 - All other providers are required to repay any remaining balance seven months (210 days) after the advanced payment is made.
 - At the end of the repayment period (12 or seven months), the MAC will send the provider a demand letter for the remaining balance.
 - Following a 30-day grace period, interest on the remaining balance will begin to accrue; currently the interest rate is set at 10.25%
 - For CAHs and hospitals receiving Periodic Interim Payments, the accelerated payment reconciliation process will happen at the final cost report process for the first cost report occurring after the repayment period. Repayment in full is still required by the end of the repayment period, even if the cost report settlement would occur beyond that period. Interest will accrue between the end of the repayment period and when there is a cost report reconciliation.
- **Application process:** Hospitals should contact their MAC, Noridian Health Solutions in California. The MAC will review, approve, and then send the hospital’s application to CMS for final approval. Noridian has provided [application instructions](#) on its website, including the required [Accelerated or Advanced Payment Request](#) form.

Noridian has established a COVID-19 Hotline to assist providers with COVID-19 related inquires, including those related to accelerated payments. The hotline is open from 6 a.m. to 5 p.m. (PT), and the phone number is (866) 575-4067.

Medicare Payment Increase for COVID-19 Patients

- **Description:** Payment increase for Medicare patients with a positive COVID-19 diagnosis
- **Eligible providers:** Urban and rural inpatient prospective payment hospitals
- **Payment details:** During the emergency period, the legislation provides a 20% add-on to the DRG rate for patients with COVID-19
- **Application:** None

State Hospital Association Grants to Hospitals

- **Description:** The Assistant Secretary for Preparedness Response is authorized to distribute \$50 million in grants to state hospital associations with the direction that they distribute the funds within 30 days to local hospitals.
- **Eligible providers:** Hospitals and health care providers in each state

- **Eligible expenses:** Health care-related expenses or lost revenues not otherwise reimbursed and directly attributable to COVID-19
- **Application:** CHA has applied for the funds; hospitals do not need to apply. California's allocation is \$4.1 million. CHA will distribute the funds directly to hospitals based on their number of licensed beds.
- **Payment:** The funds should be distributed to hospitals by late April, depending on how quickly CHA receives its allocation.

Small Business Loans (for hospitals with fewer than 500 employees)

- **Description:**
 - Loan opportunities up to \$10 million are available through the Small Business Administration's (SBA) Paycheck Protection Program.
 - Loans may be awarded for up to the lesser of \$10 million or 250% of average monthly payroll costs (excluding any compensation above an annual salary of \$100,000). Loans may be used to pay salaries, leave and health benefits, rent, utilities, interest on mortgages, and interest on existing debt.
- **Eligibility:**
 - Small businesses and 501(c)(3) non-profit organizations, including hospitals, health systems and health care providers with fewer than 500 employees (full-time and part-time)
 - Affiliation rules apply and are intended to determine, using the "totality of circumstances," whether an organization is operating as part of a larger organization and, therefore, not considered a small business.
- **Application information:**
 - Eligible applicants may apply to an SBA-approved lender.
 - Loans are available through June 30.
 - Hospitals must demonstrate they were negatively affected by COVID-19 between February 15 and June 30.
 - A streamlined application process is available on the SBA [website](#).
- **Other:**
 - Lenders must allow borrowers to defer payments on the loan for at least six months (but not more than one year).
 - Borrowers that either retain all their employees on payroll – or by June 1, 2020 – rehire employees to reach their prior staffing levels are eligible for some amount of loan forgiveness. The amount eligible to be forgiven is equal to eight weeks of payroll costs, mortgage interest, rent and utility payments.
 - For any portion of the loan that is not forgiven, a maximum interest rate of 4% and maximum term of 10 years apply.

Sources:

<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

<https://invariant.app.box.com/s/wcsxa8ltjnq0p0n1xn8il1vghyqvn17>

<https://www.aha.org/special-bulletin/2020-03-27-special-bulletin-house-passes-coronavirus-aid-relief-and-economic>

