Updates
June 17, 2020

HHS Announces Targeted CARES Act Provider Relief Fund Payments to Medicaid and CHIP Providers and Safety Net Hospitals

The U.S. Department of Health and Human Services (HHS) recently announced two new targeted distributions from the CARES Act Provider Relief Fund (the Provider Relief Fund) to assist in the response to the medical and economic consequences of the COVID-19 pandemic:

- $15 billion to Medicaid and CHIP providers that have not yet received a payment under the Provider Relief Fund General Distribution.
- $10 billion to safety net hospitals.

This funding is a result of the bipartisan CARES Act and the Paycheck Protection Program and Health Care Enhancement Act, which together allocated $175 billion in relief funds to hospitals and other healthcare providers, including those disproportionately affected by this pandemic. FAQs on the Provider Relief Fund, including the Medicaid/CHIP and Safety Net distributions, can be found here.

$15 Billion in Provider Relief Funds Payments to Medicaid and CHIP Providers

Eligibility Criteria and Payment Amount

To be eligible to receive this funding, all of the following criteria must be met:

- The provider must not have received payment from the initial $50 billion General Distribution of the Provider Relief Fund that occurred in April.
- The provider must either (1) have directly billed Medicaid for healthcare-related services during the period of January 1, 2018, to December 31, 2019, or (2) own (on the application date) an included subsidiary that has billed Medicaid for healthcare-related services during the period of January 1, 2018, to December 31, 2019.
- The provider must either (1) have filed a federal income tax return for fiscal years 2017, 2018, or 2019 or (2) be an entity exempt from the requirement to file a federal income tax return and have no beneficial owner that is required to file a federal income tax return (e.g., a state-owned hospital or healthcare clinic).
- The provider must have provided patient care after January 31, 2020.
- The provider must not have permanently ceased providing patient care directly, or indirectly through included subsidiaries.
- If the provider is an individual, he or she must have gross receipts or sales from patient care reported on Form 1040, Schedule C, Line 1, excluding income reported on a W-2 as a (statutory) employee.
- The provider must complete and submit an application by July 20, 2020.

Instructions for the application form are available here.

According to HHS, providers targeted for funding include pediatricians, obstetrician-gynecologists, dentists, opioid treatment and behavioral health providers, assisted living facilities, and other home and community-based services providers. Prior to this new targeted allocation for Medicaid and CHIP providers, distribution payments were provided to approximately 62% of providers that participate in state Medicaid and CHIP programs. HHS's

aim is for this $15 billion to be allocated to the rest of the providers, which accounts for several hundred thousand additional individuals and entities.

To apply for Medicaid/CHIP Provider Relief Fund Payments, providers should submit annual patient revenue information to the Enhanced Provider Relief Fund Payment Portal, which is currently set up for Medicaid/CHIP applications.

Providers will be awarded at least 2% of reported gross revenue from patient care for one of the following calendar years selected by the applicant—2017, 2018, or 2019. The final amount will be determined based upon the data submitted in the application, including the number of Medicaid patients the provider serves.

Terms and Conditions

The terms and conditions for the Medicaid and CHIP distributions include the following:

- The provider must certify that it provides care for individuals with possible or actual cases of COVID-19 after January 31, 2020. HHS is interpreting possible COVID-19 cases broadly such that it considers any patient to be a possible case. (See FAQs.)
- The provider must not be terminated or excluded from the Medicare, Medicaid, or other federal healthcare programs.
- Payments must only be used to prevent, prepare for, and respond to the coronavirus. Payments must reimburse only for healthcare-related expenses or lost revenues attributable to the coronavirus. Lost revenue in this respect is likely to be quite broad given the costs of COVID-19 care and diminution of elective care caused by the emergency.
- The provider must certify that it will not seek to collect from the patient out-of-pocket expenses in an amount greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

The full list of Medicaid relief fund terms and conditions is available here. Once a provider receives funds from this distribution, it must attest to compliance with the terms and conditions via the Provider Relief Fund Payment Attestation Portal within 90 days of payment. This requirement exists even if the provider made an attestation for the receipt of funds from a different Provider Relief Fund distribution (e.g., Rural Provider Distribution). As with the other distributions, the provider will be deemed to make such attestation if it does not return the payment within 90 days, even if it does not attest through the portal.

$10 Billion in Provider Relief Fund Payments to Safety Net Hospitals

HHS is also distributing $10 billion of the Provider Relief Fund to more than 700 safety net hospitals that disproportionately care for vulnerable populations and those without insurance and thus, according to HHS, are at a greater risk of closure because of lower patient volumes caused by the pandemic.

Qualification Criteria

The funds are to be distributed to safety net hospitals that have been identified as serving a disproportionate number of Medicaid patients or providing large amounts of uncompensated care. Specifically, to qualify for payments from the Safety Net Hospital Distribution, a hospital must:

- Have a Medicare Disproportionate Payment Percentage (DPP) of 20.2% or greater.
- Have an average Uncompensated Care per bed of $25,000 or more. For example, a hospital with 100 beds would need to provide $2.5 million in Uncompensated Care in a year to meet this requirement.

- Have profitability of 3% or less, as reported to CMS in its most recently filed cost report.

Eligible recipients will receive a minimum distribution of $5 million and a maximum of $50 million. Each Safety Net Hospital's amount was calculated by dividing the hospital's "facility score" by the sum total of facility scores for all Safety Net Hospitals and multiplying that percentage by the $10 billion pool amount. The facility score is calculated for non-pediatric hospitals by multiplying the number of facility beds by the DPP and, for a pediatric hospital, by multiplying the number of facility beds by a Medicaid-only ratio.

On June 8, HHS asked hospitals to update information on COVID-19-positive inpatient admissions for the period January 1, 2020, through June 10, 2020, to determine funding. Hospitals were required to submit information by June 15, 2020.

Terms and Conditions

The terms and conditions for the Safety Net Hospital Distributions include the ones listed above for the Medicaid/CHIP distribution. The full list of Safety Net Relief Fund Terms and Conditions can be located here.

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