CARES Act Provider Relief Fund: The Next $70 Billion

Friday, April 24, 2020

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act allocated $100 billion to the United States Health and Human Services Department (“HHS”) to provide financial relief for eligible health care providers. The first $30 billion of what is now known as the CARES Act Provider Relief Fund was released earlier in April. This initial wave was allocated among providers in proportion to their 2019 Medicare fee-for-service payments. HHS has now announced that payments for the remaining $70 billion of the Provider Relief Fund will begin as soon as Friday, April 24.

On April 22, 2020, HHS also announced a new distribution methodology for the Provider Relief Fund. The entire Provider Relief Fund will be divided in half: $50 billion will be allocated generally to eligible health care providers, and $50 billion will be allocated for targeted distributions. The initial $30 billion tranche was part of the general allocation. The remaining $20 billion of the general allocation will be delivered beginning April 24. The payments will be based on each provider’s 2018 CMS cost reports. The payments will be made to eligible providers so that each receives a share of the general allocation portion of the Provider Relief Fund, including the initial $30 billion tranche, which is proportional to that provider’s share of 2018 net patient revenue. HHS has not provided any additional guidance on how it will reconcile the initial $30 billion payments with this new methodology. Payments are expected to be delivered weekly on a rolling basis as HHS verifies
each provider’s cost-report data. Any provider that accepts funds from the general allocation will be required to sign the updated Terms and Conditions, available here.

The remaining $50 billion allocated for targeted distributions will be split among hospitals disproportionately impacted by COVID-19, to reimburse providers for treating uninsured patients, rural providers, the Indian Health Service, and other providers such as skilled nursing facilities, dentists, and other Medicaid providers. Of the $50 billion, $10 billion will be allocated to hospitals that have been disproportionately affected by the COVID-19 crisis.

Hospitals must apply for a portion of these funds by submitting information to HHS by 3:00 p.m. EST on April 25, 2020 via a web portal that should have already been sent directly to them. HHS will use the data provided by hospitals and take into consideration the number of COVID-19 admissions, the number of ICU beds the hospital has, and the number of low-income patients serviced by the hospital when distributing these funds. Providers who have provided COVID-19-related treatment for an uninsured patient since Feb. 4, 2020 may register and apply for reimbursement at Medicare rates. The registration portal is expected to go live on April 27, 2020.

Another $10 billion has been allocated to rural health clinics and hospitals, and $400 million has been allocated for the Indian Health Service. These funds are expected to be distributed the week of April 26, 2020 proportionately based on each facility’s operating expenses. And while HHS has stated that it will also use the targeted distributions to aid other provider types, it has not provided any additional information on how or when those funds will be disbursed.

HHS’ April 22 press release provides a much-needed update regarding its intentions with the Provider Relief Fund for financially struggling providers. However, there is still a lot of uncertainty and ambiguity in the program and HHS’s guidance, including the Terms and Conditions.

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National Law Review, Volume X, Number 115

Source URL: https://www.natlawreview.com/article/cares-act-provider-relief-fund-next-70-billion