

THE PROVIDER RELIEF FUND AND ITS DISTRIBUTIONS

INTRODUCTION

On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act ([H.R. 748](#)), a \$2.2 trillion package that includes over \$100 billion in funding for health care providers throughout the country. President Trump later signed another package bolstering the CARES Act's funding, including an additional \$75 billion for providers. This funding is intended for hospitals and other providers furnishing COVID-19 care who have lost revenues or incurred expenses due to the emergency. Congress chose not to make any changes to the language on provider funding in that "phase 3.5" legislation, though it is possible that Congress may consider modifications in future packages.

HHS began the distribution of the \$175 billion Provider Relief Fund approved in the CARES Act in April, and announcements and distributions have continued through July. \$50 billion is allocated for Medicare providers and facilities, \$11 billion for rural health clinics and hospitals, \$22 billion for hospitals in COVID-19 hotspots, \$500 million for Indian Health Service (IHS) facilities, \$4.9 billion for nursing homes, \$13 billion for safety net hospitals, and \$15 billion for Medicaid and CHIP providers. Additionally, HHS established a Health Resources and Services Administration (HRSA)-administered program to fund COVID-19 care for the uninsured. Given the distinct purposes for each allocation, HHS has developed separate requirements for providers accessing each tranche of funding. No provision of the CARES Act directly bans providers who receive funding from other sources from also receiving Provider Relief Fund assistance, so long as they abide by the terms and conditions of the given distribution.

This memo provides additional information on the provider relief fund and details Provider Relief Fund allocations and parameters.

FUNDING PACKAGES

Funding for the Provider Relief Fund came from two emergency packages passed by Congress in response to the COVID-19 pandemic. When the Coronavirus Aid, Relief, and Economic Security (CARES) Act ([H.R. 748](#)) became law on March 27, 2020, Congress provided \$100 billion to reimburse, through grants or other mechanisms, health care providers for health care expenses or lost revenues attributable to COVID-19.

On April 24, President Trump signed the Paycheck Protection Program and Health Care Enhancement Act ([H.R. 266](#)), a "phase 3.5" effort that added \$75 billion in funding for the PHSSEF's Provider Relief Fund, bringing the total to \$175 billion.

PROVIDER RELIEF FUND

In April, HHS allocated a total of \$50 billion from the Provider Relief Fund for general distribution to Medicare facilities and providers, with a focus on providing relief to providers who bill Medicare fee-for-service. Over the next month, the agency followed up with additional funding relief opportunities via separate, targeted allotments, including for rural health clinics and hospitals, hospitals in COVID-19 hotspots, Indian Health Service (IHS) facilities, and skilled nursing facilities (SNF). Additionally, HHS established a Health Resources and Services Administration (HRSA)-administered program to reimburse providers for COVID-19 care for the uninsured.

The allocations announced in April and May left out a broad swathe of providers, including those that primarily serve Medicaid beneficiaries. On June 3, the chairs and ranking members of the House Energy & Commerce Committee and the Senate Finance Committee [wrote](#) to HHS Secretary Alex Azar demanding answers on when Medicaid providers would see the long-awaited funds, noting that the previous distribution methodologies advantaged providers that receive a larger share of payments from Medicare or private insurance.

On June 9, HHS announced new funding allocations from the Provider Relief Fund targeting Medicaid & CHIP providers and safety net hospitals, providing \$15 billion and \$10 billion, respectively. However, Medicaid & CHIP providers who received any funding from the general distribution for Medicare fee-for-service providers are not be eligible for this distribution. HHS also announced that it would undertake a second round of funding for hospitals in COVID-19 hotspots totaling \$10 billion.

On July 10, HHS announced \$4 billion in additional funding for rural providers and for safety net hospitals. This new funding is due to providers that HHS intended to compensate were inadvertently left out of the original funding criteria, the agency said. In addition, HHS announced a new portal through which dentists may apply for compensation during the pandemic. Dentists will be eligible for reimbursements of two percent of their reported annual patient revenue, but only if they have not already received funding from the either the Medicare or the Medicaid general distribution funds.

On July 17, HHS announced the distribution of \$10 billion targeting hospitals in high-impact areas. This funding was first announced on June 8, when hospitals were asked to provide data on inpatient admissions for COVID-19 from the beginning of the year through June 10.

As of July 10, there remains approximately \$58.2 billion unallocated in the Provider Relief Fund from the CARES Act and its follow-up legislation. Funding for the program for the uninsured is not bounded except by the constraints of funding allocated to the PHSSEF, and so far, the federal government has paid out approximately \$350 million in claims. Additionally, HHS has not yet issued an estimate of the cost of reimbursements to dentists.

Providers, particularly those who received no funding or a small amount of funding from the first tranches of the Provider Relief Fund, have also been seeking funding from other sources, such as

funding designated by the CARES Act for states and localities. The CARES Act does not preclude providers who receive funding from other sources from also receiving Provider Relief Fund dollars, so long as they abide by the terms and conditions of the applicable Provider Relief Fund tranche. The Terms and Conditions require the recipient to certify that it will not use the payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

HHS has released data detailing payments to providers made from the Provider Relief Fund. The data set located [here](#) shows each provider that has received a payment and signed an attestation. The agency has also released aggregated data by distribution, which is available [here](#), and data on providers receiving reimbursement for care for the uninsured, which is available [here](#).

Provider Relief Fund

Allocation	Amount	Targeted Providers	Distribution Timeline
General Allocation	\$50B	Medicare FFS Providers	\$26B April 10
		Medicare FFS Providers	\$4B April 17
		All Medicare Providers	\$20B April 24
Targeted Allocation	\$12B (updated from \$10B)	Hospitals with disproportionate numbers of COVID-19 cases	Providers were required to submit information to HHS on April 25
Targeted Allocation II	\$10B	Hospitals with disproportionate numbers of COVID-19 cases	Week of July 20
Uninsured Fund	~\$350M as of July 10	Any provider providing COVID-19 care to an uninsured individual	Providers began submitting claims in May
Rural Allocation	\$11B (updated from \$10B)	Rural Health Clinics, rural hospitals, and certain hospitals in small metropolitan areas	Week of April 27 and Week of July 14
IHS Allocation	\$500M (updated from \$400M)	IHS facilities	Week of April 27
SNF Allocation	\$4.9B	SNFs	May 22

Allocation	Amount	Targeted Providers	Distribution Timeline
Medicaid & CHIP Provider Allocation	~\$15B	Medicaid & CHIP providers who did not receive general allocation funds	Portal opened June 10, application deadline is August 3.
Safety Net Hospital Allocation	\$13B (updated from \$10B)	Hospitals with a large Medicaid & CHIP population, high amounts of uncompensated care, or low profitability	Week of June 8 and Week of July 13
Dentists	Unspecified	Dentists	Portal opened July 10
Total	\$116.8B		
Unallocated	\$58.2B		

General Allocation

HHS said that it had allocated \$50 billion to a “general distribution” that would go to Medicare providers based on 2018 net patient revenue. It folded the initial \$30 billion it had already distributed based on providers’ Medicare fee-for-service revenues in 2019 into the general allocation and said that the further \$20 billion would be allocated such that payments under the general allocation were proportional to Medicare providers’ net patient revenue. The next \$20 billion was disbursed starting April 24 based on CMS cost report data. CMS says that final distributions of the \$50 billion general allocation would be at least 2 percent of providers’ 2018 net patient revenue.

Providers without sufficient cost report data on file at CMS were required to submit additional information. As with the first tranche of the general allocation, the second comes with [terms and conditions](#). Providers have 90 days from the receipt of funds to accept the terms and conditions. HHS has also stated that the department will be conducting significant anti-fraud and auditing work, including by the Office of the Inspector General.

HHS had faced criticism over its initial distribution, with observers noting that distributing funds based on FFS revenue disadvantages areas that have higher Medicare Advantage penetration. Such areas tend to be more densely populated — and thus hit hardest by the pandemic. HHS defended its initial allocation, saying that the “simple formula” was used to get funds out quickly.

Targeted Allocation

HHS initially allocated \$12 billion for hospitals in areas hit particularly hard by the pandemic. Hospitals applied using an HHS portal to submit information including their total number of intensive care unit beds on April 10, 2020 and their total number of admissions with a positive COVID-19 diagnosis from January 1, 2020 to April 10, 2020. 395 hospitals received funding from this allocation. \$2 billion of the allocation was distributed to hospitals based on Medicare and Medicaid

disproportionate share and uncompensated care payments, and the balance was based on COVID-19 inpatient admissions.

HHS announced on June 9 that it would undertake a second round of funding for hospitals heavily impacted by COVID-19. Hospitals were asked to update their COVID-19-positive inpatient admissions with HHS for the period between January 1 and June 10, 2020. On July 17, HHS announced that it would distribute those funds beginning the week of July 20.

Rural Allocation

HHS set aside \$10 billion for rural health clinics and hospitals citing their often-precarious circumstances and their heightened exposure to revenue dips or cost increases. Rural hospitals and rural health clinics (RHC) and rural community health centers (CHC) received a minimum base payment plus a percentage of their annual expenses. Hospitals received no less than \$1 million, and non-hospital providers eligible for the payment received no less than \$100,000. HHS released a state-by-state [breakdown](#) of the funding.

On July 10, HHS announced that it is expanding the existing payment formula for rural health care providers to include certain special rural Medicare designation hospitals in urban areas as well as others who provide care in smaller non-rural communities. These may include some suburban hospitals that are not considered rural but serve rural populations and operate with smaller profit margins and limited resources than larger hospitals. HHS estimates the new funding will reach 500 hospitals with payments ranging from \$100,000 to \$4.5 million for rural designated providers and \$100,000 to \$2 million for the other providers. This new funding will result in about \$1 billion in funding to rural providers.

IHS Distribution

HHS initially set aside \$400 million for Indian Health Service (IHS) facilities to be distributed the week of April 27 on the basis of operating expenses. However, on May 22, HHS announced that \$500 million was distributed to IHS facilities including hospitals, clinics, and urban health centers.

Care for the Uninsured

HHS will provide reimbursement for the treatment of uninsured COVID-19 payments who received care on or after February 4, 2020. It is notable that Congress did not appear to envision the Provider Relief Fund to be used to cover COVID-19 care for the uninsured. All providers are eligible for reimbursement through the [program](#), and reimbursement will be available for uninsured individuals who qualify for a COVID-19 diagnostic test or have a primary COVID-19 diagnosis. FDA-approved drugs administered as part of an inpatient stay and vaccines will be covered by this program as they become available.

The program is administered by HRSA and providers must enroll as a provider participant through a HRSA [portal](#) to receive reimbursement. Participants must agree that reimbursement through the program — which is generally at Medicare rates but may be subject to available funding — will be accepted as payment in full and providers must not balance bill patients. The Kaiser Family

Foundation estimated that care for the uninsured for COVID-19 would cost between \$13.9 billion and \$41.8 billion. There is currently approximately \$58.2 billion unallocated in the Provider Relief Fund, much of which is likely to go to additional allocations, discussed below. Certain items are specifically excluded by the program:

- Air and water ambulances;
- Treatments without COVID-19 primary diagnoses except for pregnancy where COVID-19 is a secondary diagnosis;
- Hospice services; and
- Outpatient drugs covered by Medicare Part D.

As of June 8, 2020, HHS [reports](#) having paid out \$348,070,877 in claims for testing and treatment through its uninsured program.

SNF Allocation

CMS provided for approximately \$4.9 billion in relief for SNFs, including a \$50,000 distribution per facility plus \$2,500 per bed. Certified SNFs with six or more beds are eligible. HHS has released a state-by-state [breakdown](#) of aggregate distributions under the SNF allocation.

Medicaid and CHIP Allocation

HHS announced on June 9 that it would allocate approximately \$15 billion to Medicaid & CHIP providers. Providers must apply to receive funding from the \$15 billion distribution using a [portal](#) on HHS' website that went live on Wednesday, June 10. Providers have until August 3 to apply for the funding. Examples of providers serving Medicaid or CHIP beneficiaries possibly eligible for this funding include pediatricians, obstetrician-gynecologists, dentists, opioid treatment and behavioral health providers, assisted living facilities and other home and community-based services providers.

To be eligible, providers must not have received payments from the \$50 billion general distribution from the Provider Relief Fund and either have directly billed their state Medicaid or CHIP program or a Medicaid managed care plan for services between January 1, 2018 and May 31, 2020. HHS estimates that 62 percent of all providers participating in Medicaid and CHIP programs received payments from the general distribution, which was ultimately disbursed based on net patient revenue. That 62 percent of providers will be ineligible for this distribution, regardless of the amount received previously.

HHS told providers that the amount that each provider will receive will be based on data submitted. Such data must include information on annual patient revenue and number of Medicaid patients served. Payments will be at least 2 percent of reported gross revenue from patient care. The Terms and Conditions for this allocation can be found [here](#).

Safety Net Hospital Allocation

On June 9, HHS announced \$10 billion in funds for safety net hospital or those with a disproportionate share of Medicaid patients or uncompensated care. The agency said that it would disburse the funds by direct deposit the week of June 8. HHS says that qualifying hospitals have:

- a Medicaid disproportionate payment percentage of 20.2 percent or greater;
- average annual uncompensated care of \$25,000 per bed or more; or
- profitability of 3 percent or less, based on CMS cost reports.

The disbursements will range from a minimum of \$5 million to a maximum of \$50 million. The Terms and Conditions for this allocation can be found [here](#).

On July 10, HHS announced that some acute care hospitals that were the target of the initial allocation did not qualify for the funding. As a result, HHS expanded the criteria for payment qualification so that certain acute care hospitals meeting the revised profitability threshold will now be eligible for payment. HHS expects to distribute over \$3 billion across 215 acute care facilities. This brings the total payments for safety net hospitals from the Provider Relief Fund to approximately \$13 billion.

Dentists

On July 10, HHS announced that it was opening a new portal to provide relief to dentists during the emergency. Eligible dental providers are those who have not received payment from the Medicare or Medicaid/CHIP general distributions. Eligible dentists will receive a reimbursement of two percent of their annual reported patient revenue. HHS has not issued an estimate of the cost of this distribution, which will come from the approximately \$58.2 billion left in the Provider Relief Fund. Dentists must apply by July 24, 2020 through the [Enhanced Provider Relief Fund Payment Portal](#).