Status update on provider relief funds

As of March 2021

This paper provides a high-level status on provider relief funding through the CARES Act Provider Relief Fund (PRF) and Coronavirus Relief Fund (CRF), emergency medical care funds made available through FEMA, and rural provider relief funding made available through the American Rescue Plan Act of 2021. This is not comprehensive; recipients and/or applicants should refer to official guidance for more detail.

The Provider Relief Fund

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted, establishing a $100 billion Provider Relief Fund (PRF) to reimburse providers for health care related expenses or lost revenue due to COVID-19. On April 24, 2020, the Paycheck Protection Program (PPP) and Health Care Enhancement Act included an additional $75 billion for the PRF, and on December 28, 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act added another $3 billion to the PRF.

Initial PRF funds were distributed in three phases, including automatic payments to Medicare fee-for-service providers based on their portion of 2019 payments and applicant-based payments to providers serving Medicaid and other populations, as well as targeted allocations, such as for high-impact COVID-19 areas and rural providers (see more information below).

There is an estimated $24 billion unallocated of the $178 billion in total PRF funding. Additional disbursements are expected in the coming weeks.

General allocations:

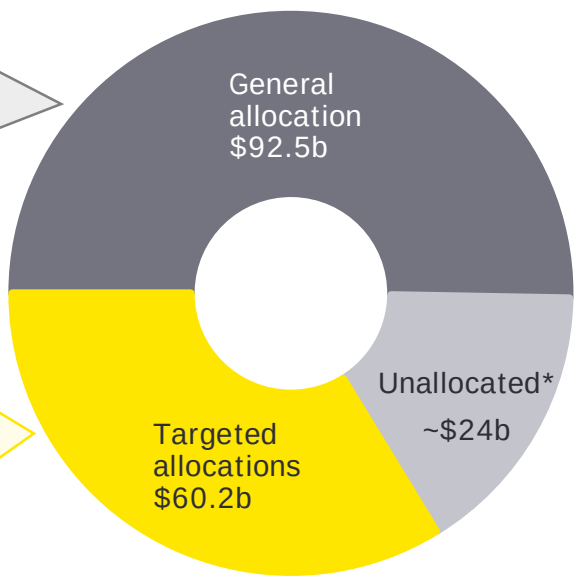
Phase 1 – $50b for providers who bill Medicare fee-for-service, automatically distributed

Phase 2 – $18b for providers who participate in Medicaid/CHIP, Medicaid managed care plans, dentists, and others not covered in phase 1

Phase 3 – $24.5b for providers who previously received funds and those who did not, via application

Targeted allocations:

1. Allocation for treatment and testing of the uninsured: $2.91b
2. Allocation for COVID-19 high-impact areas: $22b
3. Allocation for rural providers: $11b
4. Allocation for Indian Health Service: $0.5b
5. Skilled nursing facilities: $9.4b
6. Safety-net hospitals: $14.4b



*As of Feb. 16, 2021, according to the Health Resources and Services Administration (HRSA).

The Provider Relief Fund: Reporting Requirements and Allowable Expenses

Recipients of PRF funds agreed to Terms and Conditions, which require compliance with reporting requirements as specified by the Secretary of Health and Human Services (HHS).

PRF payments can be used towards health care related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse,

This may include General and Administrative (G&A) or health care related operating expenses.* When considering if an expense is allowable under the use of funds policy, ask yourself:

- Is this expense necessary and reasonable to support patient care efforts to prepare for, prevent, or respond to coronavirus?
- Is this expense incurred consistent with our organization's policies and procedures?

Step 1 Submit health care-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, which may include general and administrative (G&A) or health care-related expenses.

Examples: G&A expenses	Examples: Health care related expenses
• Mortgage/rent: rent for a clinical setting, medical office building, etc. • Insurance: property, malpractice, or other business insurance • Personnel: direct employee expenses for staff such as nurses, administrators, or support personnel • Fringe benefits: health insurance, childcare assistance, overtime pay, hiring bonuses, or retention payments to expand or maintain patient care capacity • Lease payments: diagnostic equipment leases or clinical care software leases • Utilities/operations: HVAC services, environmental services for cleaning, or food and nutrition services • Other General and Administrative Expenses: Costs not captured above that are generally considered part of overhead structure.	• Supplies: N95 or surgical masks, gowns, temperature monitoring devices, or cleaning agents • Equipment: ventilators, HVAC systems or improved filtration for infection control, or lab and radiology diagnostic equipment • Information technology: telehealth software and hardware, improved internet services to support increased telehealth or remote working, or new Electronic Medical Record modules to support patient care • Facilities: temporary Emergency Department expansions for patient volume increases, inpatient unit retrofits to accommodate COVID-19 or other patients, or outpatient clinic enhancements for improved infection control • Other Healthcare Related Expenses: Any other expenses, not previously captured above, that were paid to prevent, prepare for, and/or respond to coronavirus.

Step 2 PRF payment amounts not fully expended on health care-related expenses attributable to COVID-19 (i.e., step 1) are then applied to patient care lost revenues.

Recipients may choose to apply PRF payments towards lost revenue using one of the following options:

1 2019 vs. 2020 actuals "Actuals"	2 2020 budget. vs 2020 actual "Budget"	3 Any reasonable method "Other Method"
Difference between 2019 and 2020 actual patient care revenue	Difference between 2020 budgeted and actual patient care revenue	Any reasonable method of estimating lost revenues attributable to COVID-19

*Please reference the reporting FAQs for additional details and guidance. HHS issued a revised Notice of Reporting Requirements on January 15, 2021 and is releasing updated FAQs on a rolling basis. An overview of allowable expenses was issued on December 11, 2020.

FEMA funding for COVID-19

As part of the declaration of the COVID-19 pandemic as a national emergency, Public Assistance (PA) funding is available from the Federal Emergency Management Agency (FEMA) to eligible State, Territorial, Tribal, local government entities and certain private non-profit (PNP) organizations.

FEMA announced that certain emergency protective measures taken to respond to the COVID-19 emergency may be eligible for reimbursement under Category B of the PA program, if not eligible for reimbursement through another funding source.

FEMA will assist with such emergency protective measures at a 100% federal cost share, and implemented a simplified online PA program application process for recipients and applicants requesting reimbursement related to COVID-19 federal emergency and major disaster declarations.

FEMA may provide PA for emergency protective measures such as:

- Management, control and reduction of immediate threats to public health and safety (e.g. emergency operation center costs)
- Emergency medical care (e.g. temporary medical facilities)
- Medical sheltering (e.g. when existing facilities are forecasted to become overloaded)

Currently, FEMA has extended the emergency work completion deadline until further notice. It is believed the COVID-19 incident period for eligible claims will be aligned with the COVID-19 public health emergency (PHE) issued by HHS. In a January 21, 2021 letter to Governors, then-Acting HHS Secretary Norris Cochran signaled that the COVID-19 PHE "will likely remain in place for the entirety of 2021," assuring states that HHS will provide them 60 days' notice when a determination is made to terminate the PHE or let it expire.

Eligible Medical Care Work and Costs, by facility type, are listed below*

Primary Medical Care Facility

Facility owned and/or operated by an eligibly PA Applicant that provides medical care services. This includes and licensed hospital, outpatient facility, rehabilitation, or facility for long-term care.

Eligible medical care activities and associated costs (examples)

a Emergency and inpatient clinical care for COVID-19 patients, such as COVID-19 related:

- Emergency medical transport
- Triage and medically necessary tests
- Necessary medical treatment
- Prescription costs

b Purchase, lease, and delivery of specialized medical equipment necessary to respond to COVID-19[i]

c Purchase and delivery of PPE, durable medical equipment, and consumable medical supplies necessary to respond to COVID-19[i] This includes the costs of eligible government applicants providing PPE to any public or private medical care facility that treats COVID-19 patients.

d Medical waste disposal related to COVID-19

e Certain labor costs associated with medical staff providing treatment to COVID-19 patients (not otherwise included in patient billing and/or covered by another funding) may be eligible, such as:

- Overtime for budgeted medical staff providing treatment to COVID-19 patients
- Straight time and overtime for temporary medical staff providing treatment to COVID-19 patients; and
- Straight time, overtime, and other necessary costs for contract medical staff providing treatment to COVID-19 patients.

f For primary medical care facilities, increased operating costs for administrative activities (such as medical billing) are <u>not eligible</u>

*Please refer to FEMA Policy FP 104-010-04 for additional detail and stipulations.

i. Equipment and supply purchases are subject to disposition requirements.

Temporary and Expanded Medical Facilities

- Temporary Medical Facility: A facility separate from the primary medical care facility that is used to provide medical care services when the primary medical care facility is overwhelmed.
- Expanded Medical Facility: An expansion of the primary medical care facility to increase its capacity when the primary medical care facility is overwhelmed.

Eligible medical care activities and associated costs (examples)

a. Eligible items included for "Primary Medical Care Facilities," but applicable to both COVID-19 and non-COVID-19 patients.

b. Lease, purchase, or construction costs, as reasonable and necessary, of a temporary facility as well as reasonable alterations to a facility necessary to provide medical care services

c. Mobilization and demobilization costs associated with setting up and closing the temporary or expanded medical facility

d. Operating costs including equipment, supplies, staffing, wraparound services, and clinical care not covered by another funding source

e. Maintenance of a temporary or expanded medical facility in an operationally ready but unused status available for surge capacity for COVID-19 readiness and response when necessary to eliminate or lesson an immediate threat to public health and safety

Coronavirus Relief Fund

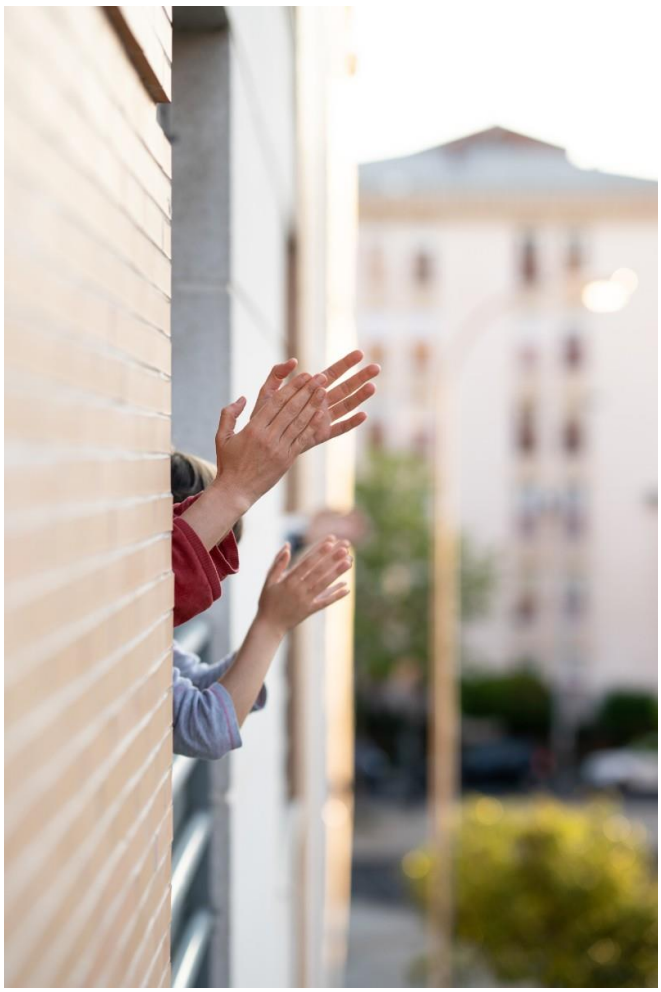
The CARES Act also established a $150 billion Coronavirus Relief Fund (CRF) administered by the U.S. Department of the Treasury. The program made payments to States, tribal governments, and certain local government based on Census population data, to be used to cover costs that:

- are necessary expenditures incurred due to the public health emergency with respect to the COVID–19;
- were not accounted for in the budget most recently approved as of March 27, 2020; and
- were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

Treasury published guidance and FAQs to help provide specific uses of funds for recipient states and governments, and ultimately the sub-recipient providers funds are disbursed to.

According to guidance, governments may use fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID–19 public health emergency, but the form such assistance would take may differ.

In particular, financial assistance to private hospitals could take the form of a grant or short-term loan. The states must report on their use of funds quarterly.



Future Funding for Provider Relief

American Rescue Plan Act of 2021

On March 11, 2021, the American Rescue Plan Act of 2021 was enacted, which includes an additional $8.5 billion in emergency funding for rural health care providers. Eligible health care providers will submit an application containing the justification of the need, including documentation of health care related expenses and lost revenues* attributable to COVID-19 that have not been reimbursed from another source.

Eligible health care providers include providers or suppliers that:

- Are enrolled in the Medicare program and/or with a state Medicaid or child health plan;
- Provide diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; and
- Are located in a rural area

Eligible expenses include those to prevent, prepare for, and respond to COVID-19, including:

- building or construction of a temporary structure
- leasing of a property
- purchase of medical supplies or equipment (e.g. PPE and testing supplies)
- providing for increased workforce and training, including maintaining staff and/or obtaining additional staff
- the operation of an emergency operation center
- retrofitting a facility
- providing surge capacity

*Lost revenue attributable to COVID-19 will be determined by FAQ guidance released by HHS.

> “I believe President Biden will be there to provide the support, whether it's through the Provider Relief Fund, or simply by making sure that we are providing resources that are already allocated to make sure that we're working closely with those facilities that have been hit the hardest.

HHS Secretary Xavier Becerra,
Senate HELP Committee confirmation hearing February 23, 2021

Other potential provider relief funding

Congress has committed to providing additional funding to support providers throughout the pandemic, if deemed necessary, either through the PRF or through other funding mechanisms. On February 11, 2021, House Energy & Commerce Committee Chairman, Frank Pallone (D-NJ), said the committee will work with HHS to issue remaining provider relief funds, $24 billion of which he said remained unobligated at the time.

Others on the committee expressed a commitment to replenishing the fund once it has run dry, if still warranted. Additionally, during his nomination hearing at the Senate HELP Committee on February 23, 2021, HHS Secretary Xavier Becerra said it would be a top priority to provide support to struggling providers, either through funding of the PRF fund or through ensuring resources already allocated reach those facilities hit the hardest.

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