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Health Policy and Advocacy

CARES ACT PROVIDER RELIEF FUND

Updated December 22, 2020

Below is an overview of funding opportunities available to hospitals and health systems as part of the Provider Relief Fund, which was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further funded by the Paycheck Protection Program and Health Care Enhancement Act. Under the CARES Act, \$100 billion in total funds is available to hospitals, health systems, and other providers. The Paycheck Protection Program and Health Care Enhancement Act increased the funds available by an additional \$75 billion, for a total of \$178 billion in the Provider Relief Fund.

These are payments, not loans, and do not need to be repaid so long as the stated conditions are met. In addition, CHA has also prepared a [federal funding infographic](#) showing specific legislation, amount of funding allocated for health care providers, what the funding covers, and more.

Eligible Providers

The CARES Act defines eligible providers as public entities, Medicare- or Medicaid-enrolled suppliers and providers, and other nonprofit and for-profit entities specified by the Secretary of the Department of Health and Human Services (HHS).

Eligible Expenses and Reporting Requirements

The CARES Act requires Provider Relief Funds to be expended for certain expenses:

- Health care-related expenses or lost revenues not otherwise reimbursed and directly attributable to COVID-19
- Examples include forgone revenue from canceled 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.

Recipients of one or more payments exceeding \$10,000 in the aggregate from the Provider Relief Fund will be required to submit reports to HHS on how the funds have been expended. HHS has published a [notice](#) providing additional details on [reporting requirements](#). This notice includes the categories and definitions of data elements that recipients must submit for calendar years 2019 and 2020. It is a supporting document to the [post-payment notice of reporting requirements](#) published in August. The report to HHS detailing recipients' use of Provider Relief Funds as of December 31, 2020 is due by February 15, 2021. HHS will open the reporting system for providers on January 15, 2021.

HHS states that if recipients do not expend PRF funds in full by the end of calendar year 2020, they will have an additional six months in which to use remaining amounts toward expenses attributable to COVID-19 but not reimbursed by other sources, or to apply toward lost revenues in an amount not to exceed the 2019 net gain. Reporting for Q1 and Q2 of calendar year 2021 must be submitted by July 31, 2021.

The reporting requirements apply for all distributions except the Nursing Home Infection Control and Rural Health Clinic Testing distributions, for which separate reporting requirements will be announced. The reporting

requirements also do not apply to reimbursement from the Health Resources and Services Administration (HRSA) Uninsured Program, but HHS noted that additional reporting may be announced in the future for these payments. Notably, on December 21, 2020 Congress passed the Consolidated Appropriations Act, 2021. As a result of advocacy work by CHA in partnership with our national and state association colleagues the legislation allows:

- Provider Relief Fund recipients to determine lost revenues attributable to coronavirus using the June 2020 HHS FAQ, which allows for a calculation based on the provider's budgeted to actual revenue.
- Parent organizations to reallocate PRF funds (including targeted distributions) to eligible subsidiaries.

CHA will update this document as soon as HHS releases additional guidance related to Provider Relief Fund reporting.

Distribution of Funds

As of July 2020, HHS has distributed funds to providers via two rounds of general allocation funding and several targeted allocations. Each allocation has a set of terms and conditions that providers must agree to when attesting to receipt of the funds.

General Distribution Funding

Phase 1 General Distribution: HHS allocated \$50 billion in general funding proportional to providers' share of 2018 net patient revenue. HHS designed its allocation methodology to provide payments to Medicare fee-for-service providers based on the lesser of 2% of a provider's 2018 (or most recent complete tax year) net patient revenue or the sum of incurred losses for March and April.

On April 10 2020, HHS distributed the first round of general allocation funding — \$30 billion — to hospitals via direct grants based on the proportion of Medicare fee-for-service revenue received by the hospital in 2019. Automatic payments were distributed to providers via Optum Bank with “HHSPAYMENT” as the payment description or via paper checks. A state-by-state breakdown of the first \$30 billion allocation is available [here](#).

A second round of \$20 billion in general allocation funding was announced on April 22, 2020. HHS distributed the additional \$20 billion automatically — based on a provider's share of 2018 net patient revenue — as part of its \$50 billion overall general allocation.

Phase 2 General Distribution: HHS has made available, based on application, \$18 billion in the Phase 2 General Distribution. Eligible providers include participants in state Medicaid/CHIP programs, Medicaid managed care plans, dentists, and certain Medicare providers, including those who missed Phase 1 General Distribution payment equal to 2% of their total patient care revenue or had a change in ownership in 2019 or 2020. Assisted living facilities were also eligible to apply. The application process closed on October 4, 2020.

Phase 3 General Distribution: HHS allocated \$24.5 billion in general funding based on providers' applications, which were due on November 6, 2020. The application process first allocated the Phase 3 payments to providers that have not received a payment of 2% of annual operating revenue and then to providers based on actual expenses and lost revenue attributed to COVID-19. Payments to approximately 70,000 qualifying providers began on [December 16, 2020](#), and will continue through January of 2021 as HHS finalizes application reviews. A state-by-state breakdown of the first \$30 billion allocation is available [here](#).

There are two portals associated with the receipt and verification of CARES Act funds. Hospitals must submit IRS tax filings through the [general distribution portal](#) to validate amounts, as well as agree to [terms and conditions](#) through the [attestation portal](#). Government-owned hospitals should submit their most recently audited financial statements. **For assistance in using these portals, please call the CARES Act Provider Hotline at (866) 569-3522.**

Targeted Allocations

HHS also announced the following “targeted” allocations:

- \$22 billion for hospitals in COVID-19 high-impact areas
- \$10 billion for rural hospitals and rural health clinics (RHCs), as well as \$1 billion to specialty rural hospitals, urban hospitals with certain rural Medicare designations, and hospitals in small metropolitan areas
- \$13 billion for safety net providers and \$1.4 billion for children’s hospitals
- \$4.9 billion for skilled-nursing facilities, \$2.5 billion for nursing facilities, and quality incentive payments for nursing facility infection control
- \$400 million for the Indian Health Service, and an allocation for treatment of the uninsured

Additional information on each targeted allocation is provided below:

- **COVID-19 High-Impact Areas:** On May 1, HHS [announced](#) an initial allocation of \$12 billion to 395 hospitals that provided inpatient care for 100 or more COVID-19 patients through April 10. \$2 billion of this amount was distributed to these hospitals based on their Medicare and Medicaid disproportionate share and uncompensated care payments. Hospitals are paid a fixed amount per COVID-19 inpatient admission, with an additional amount taking into account their Medicare and Medicaid disproportionate share and uncompensated care payments. HHS has provided a [state and county breakdown](#) of the first high-impact allocation. In California, 13 hospitals received \$231,583,318.

The first round of funding was based on a formula that distributed funds to hospitals with 100 or more COVID-19 admissions between Jan. 1 and April 10 and paid \$76,975 per eligible admission. These previous high-impact payments were also taken into account when determining each hospital’s payment from the second-round distribution.

On July 17, HHS [announced](#) an additional \$10 billion distribution to 1,128 hospitals in high-impact COVID-19 areas based on a formula for hospitals with over 161 COVID-19 admissions between Jan. 1 and June 10, or one admission per day, or that experienced a disproportionate intensity of COVID-19 admissions (exceeding the average ratio of COVID-19 admissions/beds). Eligible hospitals will be paid \$50,000 per eligible admission. In California, HHS will distribute \$685,360,314 across 71 hospitals. HHS has provided a [state-by-state breakdown of the second high-impact distribution and a listing of distributions by hospital](#).

Recipients must attest to the [terms and conditions](#) for this allocation.

- **Rural Allocations:** HHS announced \$10 billion will be allocated to rural hospitals, critical access hospitals (CAHs), community health centers (CHCs) located in rural areas, and RHCs. Allocations will be a minimum of \$1 million to each hospital and \$100,000 to each clinic. These providers may qualify for additional funds based on the relative proportion of operating expenses they represent across the entirety of rural health care. The minimum base payment is meant to ensure that providers without Medicare claims, such as pediatric RHCs, still receive adequate support. HHS has provided a [breakdown](#) of the rural allocation by state.

HHS also announced an additional allocation of \$1 billion to urban hospitals with certain rural Medicare designation, as well as others that 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.

Rural providers must attest to the [terms and conditions](#) for this allocation.

- **Safety Net Allocations:** A total of \$14.4 billion has been distributed in the HHS safety net allocation. The first \$10.2 billion, distributed to 761 hospitals, was announced on June 9. Eligible hospitals received between the

minimum distribution of \$5 million and a maximum distribution of \$50 million. HHS defined eligible safety-net hospitals as those with:

- A Medicare disproportionate payment percentage of 20.2% or greater
- Average uncompensated care per bed of \$25,000 or more
- Profitability of 3% or less, as reported to the Centers for Medicare & Medicaid Services (CMS) in the most recently filed cost report

53 California hospitals received \$1.1 billion from the first safety net allocation. HHS’s state-by-state breakdown is available [here](#).

On July 10, HHS announced \$3 billion in additional safety-net hospital funding to 214 hospitals based on expanded the criteria to qualify. The revised criteria facilitated the inclusion of certain acute care hospitals that meet a revised profitability threshold of less than 3% averaged consecutively over two or more of the last five cost reporting periods, as reported on the Medicare cost report. HHS’s state-by-state breakdown is available [here](#).

- **Children’s Hospital Allocation:** \$1.4 billion was [distributed](#) to approximately 80 freestanding children’s hospitals. To qualify, the hospital must be either be an exempt hospital from the Medicare inpatient prospective payment system or be a HRSA defined Children’s Hospital Graduate Medical Education facility. Eligible hospitals will receive 2.5% of their net revenue from patient care. HHS’s state-by-state breakdown, which includes seven California hospitals that received \$158 million, is available [here](#).

Providers must attest to the [terms and conditions](#) for these allocations.

- **Skilled-Nursing Facility Allocation:** \$4.9 billion was distributed to 15,487 skilled-nursing facilities (SNFs), including distinct part nursing facilities. The funding is intended to help nursing homes address critical needs such as labor, scaling up their testing capacity, acquiring personal protective equipment, and a range of other expenses directly linked to this pandemic. HHS distributed funding to all certified SNFs with six or more certified beds on both a fixed basis and variable basis. Each SNF received a fixed distribution of \$50,000, plus a distribution of \$2,500 per bed. Providers must attest to the specific [terms and conditions](#) for this allocation. HHS’s state-by-state breakdown, which includes 1,198 SNFs that received \$357 million, is available [here](#).

HHS also distributed an additional \$4.5 billion to nursing homes and skilled-nursing facilities. Approximately \$2.5 billion is based on a per-facility payment of \$10,000 plus a per-bed payment of \$1,450. To be eligible, a facility was required to have at least 6 certified beds. HHS’s state-by-state breakdown, which includes 1,160 SNFs/NFs that received \$178 million is available [here](#).

An additional \$2 billion is being allocated to nursing homes and skilled nursing facilities based on rates of COVID-19 infection and mortality. Additional details on the performance measures are available [here](#). Table 1 below includes a listing of performance periods and tentative payment dates.

Table 1: SNF/NF Infection Incentive Payment Timeline

Performance Period	Tentative Payment Date	Tentative Audit Date
September 2020	October 2020	November 2020
October 2020	November 2020	December 2020
November 2020	December 2020	January 2021
December 2020	January 2021	February 2021
Aggregate	February 2021	March 2021

For the [September](#) and [October](#) performance periods, HHS has distributed \$854 million dollars. California SNF/NFs have received approximately \$46 million. Recipients must attest to terms and conditions for the Skilled Nursing Facility and Nursing Home Infection Control Relief Fund Payment, which are available [here](#).

- **Indian Health Services:** \$400 million will be distributed for Indian Health Service facilities, distributed on the basis of operating expenses.
- **Treatment for the Uninsured:** Every health care provider who has provided treatment for uninsured COVID-19 patients on or after February 4, 2020, can request claims reimbursement through the program and will be reimbursed at Medicare rates, subject to available funding. Providers must enroll in the COVID-19 Uninsured Program, which will be overseen by the Health Resources & Services Administration (HRSA). Further information, including [frequently asked questions](#) and a COVID-19 Uninsured Program [portal user guide](#), can be found on the HRSA [website](#).

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 a spreadsheet 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