



# Relief Funding for Medicaid Providers Affected by the COVID-19 Pandemic

**Medicaid and CHIP Payment and Access  
Commission**

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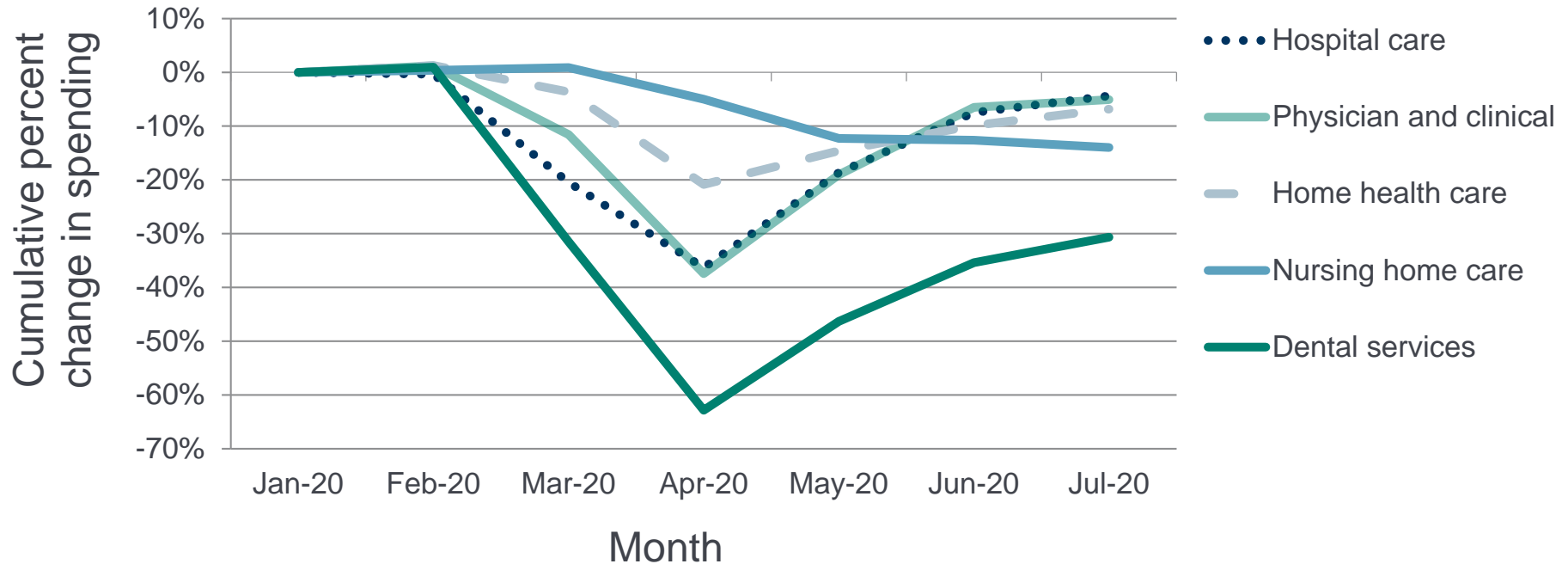
# Overview

- Effects of the COVID-19 pandemic on provider finances
- Federal provider relief funding to date
  - Funding for Medicaid and CHIP providers not enrolled in Medicare
  - Targeting of funding to safety-net providers
  - Total relief payments compared to losses
  - Data transparency
- Medicaid payment options for provider relief
- Other options for provider relief
- Next steps

# Effects on Provider Finances

- The COVID-19 pandemic has affected provider finances in several ways, including:
  - Increased costs of preventing the spread of COVID-19 and treating patients with COVID-19
  - Decreased revenue from deferred care, adherence to social distancing protocols, and temporary closures
- Telehealth has offset some revenue loss, but total visits remain below pre-pandemic levels

# Percent Change in Health Care Spending Since January 2020, by Month



**Note:** Spending estimates do not include provider relief funding.

**Source:** Altarum, 2020, analysis of Bureau of Economic Analysis data of spending as of July 2020

September 24, 2020

# Effects on Medicaid Providers

- Providers that serve a high share of Medicaid patients face several added challenges
  - Entering the pandemic with low operating margins
  - Serving populations disproportionately affected by COVID-19
  - Relying on payments from states whose budgets may be strained
- Recent outpatient visit data suggest that visits by Medicaid enrollees have not recovered as much as those of other payers

# Federal Provider Relief Funding

- The CARES Act and Paycheck Protection Program and Health Care Enhancement Act created a \$175 billion provider relief fund to cover pandemic expenses and lost revenue
- To date, HHS has allocated approximately \$122.9 billion through several distributions
  - Phase 1 general distribution to Medicare-enrolled providers (\$50 billion)
  - Targeted funding for hospitals, nursing facilities, rural, and tribal providers (\$57.9 billion)
  - Phase 2 general distribution to Medicaid and CHIP providers, dentists, and assisted living facilities not eligible for the Phase 1 general distribution (\$15 billion)
- \$76.9 billion in relief funds have been paid as of August 25

# Phase 2 General Distribution

- Delayed in part because of a need to collect Medicaid provider enrollment information
- Approximately 38 percent of Medicaid and CHIP providers are potentially eligible
- Few providers have applied for the Phase 2 general distribution according to preliminary estimates:
  - 14.8 percent of potentially eligible provider organization tax identification numbers (TINs) applied as of August 30
  - \$2.2 billion of the \$15 billion allocated for this distribution was paid as of September 11

# Estimated Distribution of Relief Funding to Hospitals

Hospital characteristics	Number of hospitals	General distribution		General, safety-net, rural, and tribal distribution		General, safety-net, rural, tribal, and high-impact distribution	
		Total funding (millions)	Funding as a share of FY 2018 operating expenses	Total funding (millions)	Funding as a share of FY 2018 operating expenses	Total funding (millions)	Funding as a share of FY 2018 operating expenses
Total	6,021	\$21,077	2.0%	\$44,566	4.2%	\$64,241	6.1%
Urban or rural status							
Urban	3,567	18,643	2.0%	30,305	3.3%	49,273	5.3%
Rural	2,454	2,433	1.9%	14,261	11.0%	14,967	11.5%
Deemed DSH status							
Deemed	767	4,264	1.8%	11,251	4.8%	15,905	6.8%
Not deemed	5,254	16,801	2.1%	33,315	4.1%	48,336	5.9%

**Notes:** FY is fiscal year. DSH is disproportionate share hospital. Deemed DSH hospitals are statutorily required to receive DSH payments because they serve a high share of Medicaid-enrolled and low-income patients. Other hospital types include psychiatric, rehabilitation, and long-term care hospitals. Total funding is estimated based on provider relief funding rules and excludes \$1.7 billion in high-impact payments that could not be matched to hospital-level data. Numbers do not add due to rounding.

**Source:** MACPAC, 2020, analysis of Medicare cost report data and HHS data on high-impact payments as of August 2020.



# Payment Relative to Losses

- MedPAC's preliminary analyses suggest that federal provider relief funds and Medicare payment changes have been sufficient to offset several month of losses in the aggregate
  - 3 to 5 months of April-level losses for hospitals
  - About 8 months of losses for nursing facilities
  - More than half of lost revenue for clinicians between March and May 2020
- The experience of specific types of hospitals, nursing facilities, and clinicians may vary from these averages
- Provider-level data on relief funding is not available in a format that enables analysis

# Medicaid Payment Options for Provider Relief

Type of payment	Limitations on use	Number of states using authority in response to COVID-19 as of August 31, 2020
Advance or interim payments	Limited to FFS; Subject to reconciliation against actual claims for furnished services	8
Enhanced payment rate for services	Limited to FFS (but may indirectly affect managed care payment rates)	43
UPL supplemental payment	Limited to FFS; Aggregate spending for a class of providers cannot exceed an estimate of what Medicare would have paid	None identified
Directed payments	Directed payments must be tied to use of services	5
Retainer payments	Limited to HCBS providers for 30 consecutive days; during the public health emergency, up to three 30-day episodes can be authorized	45

**Notes:** FFS is fee for service. HCBS is home and community-based services. UPL is upper payment limit. MCO is managed care organization.

**Source:** MACPAC, 2020, analysis of Kaiser Family Foundation Medicaid Emergency Authority Tracker.

# Other Provider Relief Options

- States and local governments have been using other CARES Act funds to make additional payments to health care providers
  - \$150 billion in grants for expenses related to the public health emergency, including costs that are not health-related
  - \$36 billion spent as of June 30, 2020
  - At least 11 states have directed approximately \$855 million in targeted relief payments to health care providers
- CARES Act grants are not subject to Medicaid rules

# Next Steps

- Continued monitoring of federal relief funding as data become available
- Further examination of how particular types of providers have been affected by the pandemic
  - Hospitals
  - Nursing facilities
  - Other types of providers based on data availability
- Further exploration of Medicaid authorities to ensure stability of safety-net providers



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