COVID Relief Funding for Medicaid Providers

The COVID-19 pandemic has created financial strains for many health care providers due to the increased costs of treating patients with virus-related illnesses and decreased revenue from disruptions to the health care delivery system, such as delays in elective procedures and other routine services. Safety-net providers that serve a high share of Medicaid and uninsured patients are particularly vulnerable because prior to the pandemic they often had low operating margins and because Medicaid patients have been disproportionately affected by COVID-19.[1]

In March 2020, Congress created a provider relief fund intended to help cover expenses and lost revenue attributable to COVID-19 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136). In April 2020, Congress enacted the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), which increased the size of the provider relief fund to a combined total of $175 billion. Both Medicare- and Medicaid-enrolled providers are eligible to receive funds, but they have received relief funding at different times and through different processes. The U.S. Department of Health and Human Services (HHS) began distributing relief funds to Medicare-enrolled providers automatically in April 2020. It did not begin distributing funding to Medicaid and State Children's Health Insurance Program (CHIP) providers who were not enrolled in Medicare until June 2020.[2]

This issue brief reviews the distribution of provider relief funds to Medicaid and CHIP providers based on a review of applications submitted as of November 26, 2020 (after the deadline for the most recent general distribution of relief funds). Overall, we find that many Medicaid and CHIP providers who are not enrolled in Medicare have not received any provider relief funds, which has particularly affected provider types that serve a high share of Medicaid patients, such as pediatric practices, home- and community-based services (HCBS) providers, and behavioral health providers.[3]

In December 2020, Congress enacted the Consolidated Appropriations Act (P.L. 116-260), which added an additional $3 billion to the provider relief fund and directed HHS to distribute at least 85 percent of the unspent funds appropriated under the CARES Act to providers based on their financial performance in the second half of calendar year 2020 and the first quarter of 2021. As of the week of January 11, 2021, approximately $58 billion in provider relief funds remained unspent (HHS 2021a).

Allocation of Provider Relief Funds

The statute provides the Secretary of HHS with broad authority to determine which providers are eligible for provider relief funding and how much funding individual providers may receive. To date, HHS has allocated $150.4 billion in funding through a variety of general distributions available to most provider types and targeted distributions available to specific types of providers (HHS 2021b). Additionally, HHS has allocated approximately $3 billion in funding to reimburse providers for COVID -19 testing and

treatment of uninsured individuals (HHS 2021a). More information about each provider relief fund allocation to date is provided in Appendix A.

Initial distributions from the provider relief fund prioritized making payments quickly over providing funds in a targeted manner. On April 10, 2020, two weeks after the CARES Act was passed, HHS made an initial distribution of $30 billion to all Medicare-enrolled providers based on their Medicare fee-for-service (FFS) revenue. On April 24, HHS increased this general distribution to $50 billion total and developed a new formula for targeting payments to providers based on their patient care revenue across all payers. HHS has referred to these initial disbursements as the Phase 1 general distribution. Approximately 62 percent of Medicaid and CHIP providers are also enrolled in Medicare and thus received funds in Phase 1 (HHS 2020).

In response to concerns that the initial distributions did not adequately target funding to providers with the greatest need, HHS subsequently made additional distributions to particular provider types, such as safety-net hospitals, nursing facilities, and rural providers. For each provider type, HHS developed methods to determine which providers were eligible and how much funding they would receive. For example, safety-net hospitals received payments based on their Medicare disproportionate share hospital (DSH) patient percentage and nursing facilities received payments based on their number of certified beds.[4]

In addition to the targeted distributions, HHS also made another general distribution (Phase 2) in June 2020 for Medicaid and CHIP providers who were not eligible for Phase 1, as well as dentists and assisted living facilities.[5] Funds were distributed using the same method as in Phase 1 (i.e., 2 percent of providers' patient care revenue). Unlike the initial distributions based on Medicare revenue, eligible providers had to formally apply and submit detailed financial information to receive funds in the Phase 2 general distribution. The application deadline for the Phase 2 general distribution was extended several times and ended on September 13, 2020.

In October 2020, HHS created a Phase 3 general distribution that was open to all previously eligible providers as well as additional behavioral health providers who were not previously eligible. Most of the funding in this distribution was based on a share of providers' losses during the first half of 2020 compared to providers' revenue and expenses during the first half of 2019.[6]

In December 2020, the Consolidated Appropriations Act required HHS to distribute 85 percent of unspent provider relief funding appropriated under the CARES Act through a new general distribution that accounts for providers' losses during the second half of 2020 and the first quarter of 2021. However, as of this writing, HHS has not announced the details of this funding distribution.

Share of Eligible Providers Receiving Provider Relief Funding

As of the week of January 11, 2021, approximately $120 billion in provider relief funds had been distributed to a total of 403,235 provider tax identification numbers (TINs) (HHS 2021a). A single provider organization may have multiple TINs for different components of its business (e.g., an inpatient hospital and its ambulatory surgery center may have separate TINs), so it is possible that fewer than 403,235 entities

received funds and estimates of potentially eligible TINs likely overstate the number of provider organizations that could apply.

To understand the characteristics of providers that have received provider relief funding to date, we compared the TINs of provider organizations that received funds through the general distribution to TINs listed in the National Plan and Provider Enumeration System (NPPES). In this analysis, we excluded individual professionals registered in NPPES with a social security number (SSN) because most of these applied for funding using the TIN of their employer (e.g. employed physicians who applied for funding through their medical group).[7] We compared the list of organizations receiving funding to the HHS list of potentially eligible TINs, which was curated based on provider enrollment files from Medicare, state Medicaid and CHIP agencies, the Transformed Medicaid Statistical Information System (T-MSIS), and other sources.[8] This list of potentially eligible providers was intended to be broadly inclusive and thus includes some providers that did not directly bill Medicaid for services in 2018 or 2019 or meet other eligibility criteria.

Overall, while 53.7 percent of potentially eligible provider organization TINs received relief payments through the general distribution, only 18.4 percent of potentially eligible Medicaid and CHIP-enrolled providers not enrolled in Medicare received funding (Table 1). A total of about $50.2 billion in relief payments were made through the general distribution based on providers' patient care revenue, but only $2.6 billion of these payments went to Medicaid and CHIP-enrolled providers not enrolled in Medicare. Overall, less than 15 percent of the $18 billion initially allocated for the Phase 2 distribution was spent on Medicaid and CHIP providers (HHS 2021b).

TABLE 1. Share of Potentially Eligible Provider Organization TINs Receiving Provider Relief Fund General Distribution Payments, 2020

Provider enrollment	Total eligible provider organization TINs[1]	Number of TINs receiving funding	Share of potentially eligible TINs receiving funding	Total payments from the provider relief fund general distribution (billions)[2]
Total	**600,019**	**322,182**	**53.7%**	**$50.2**
Medicare-enrolled providers	258,554	258,103	99.8%	$47.0
Medicaid or CHIP-enrolled providers not enrolled in Medicare	239,579	44,170	18.4%	$2.6
Other eligible providers	101,886	19,909	19.5%	$0.6

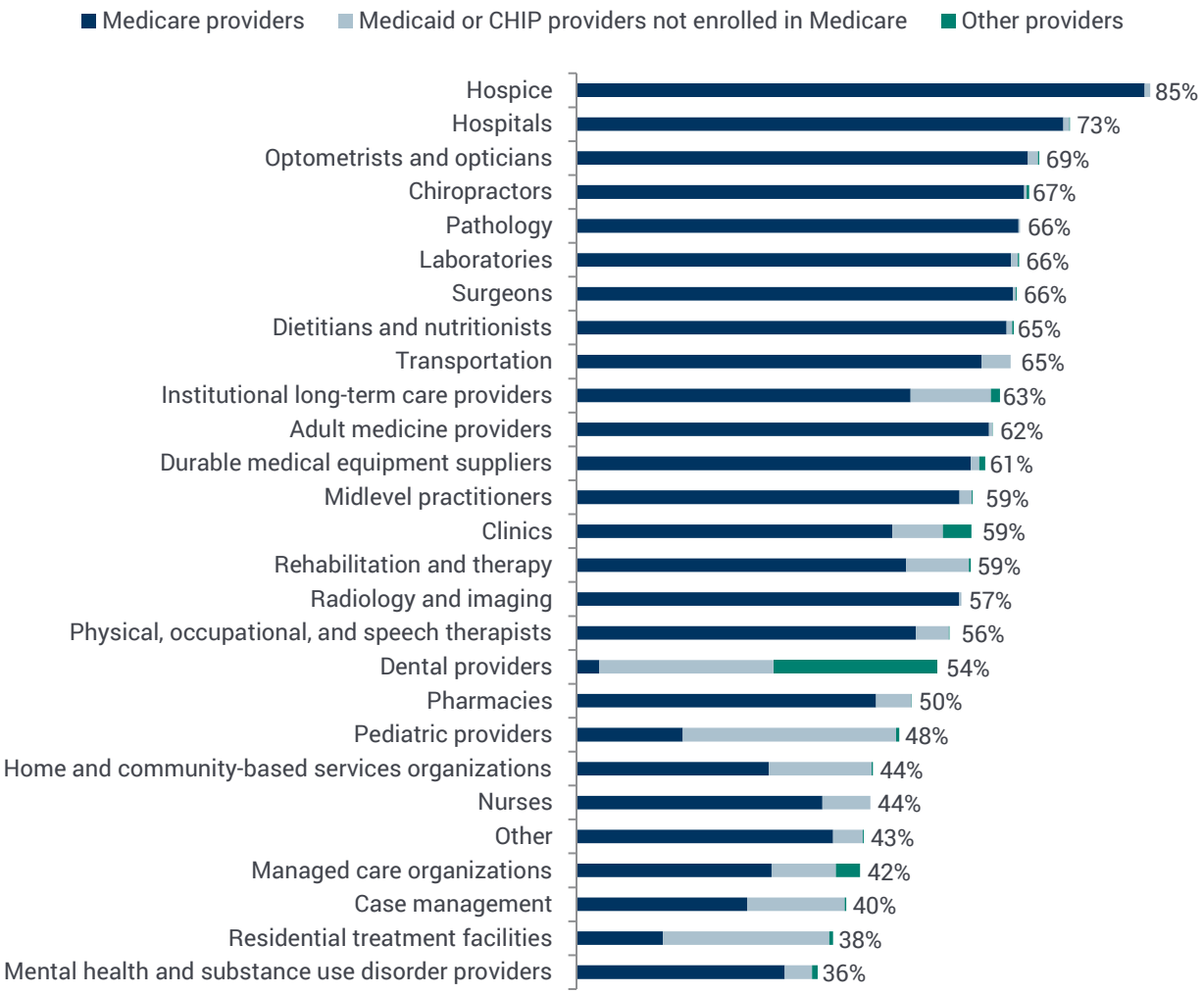
Notes: TIN is tax identification number. Analysis limited to TINs that could be matched to organizational national provider identifiers (NPIs) in the National Plan and Provider Enumeration System (NPPES). Analysis is based on applications submitted as of November 26, 2020.
[1] Number of provider organizations potentially eligible for provider relief funding is based on a curated list of providers developed by the Health Resources and Services Administration (HRSA) using provider enrollment files from Medicare, state Medicaid and CHIP agencies, the Transformed Medicaid Statistical Enrollment System (T-MSIS), and other sources. Providers with potentially eligible TINs must meet other eligibility criteria to receive funding.

[2] Total payments include payments from the Phases 1, 2, and 3 general distribution based on patient care revenue. Analysis excludes Phase 3 general distribution payments based on provider losses and targeted distribution payments, and it does not account for general distribution payments that have been returned by providers.
Source: Acumen, 2021, analysis for MACPAC of NPPES and the HRSA curated list of providers potentially eligible for the provider relief fund general distribution.

The subset of provider types that often serve Medicaid, but not Medicare beneficiaries also appear to have been less likely to receive provider relief funding (Figure 1). For example, Medicaid is the primary source of insurance coverage for more than one-third of children and Medicaid is the single largest payer for long-term care and behavioral health (MACPAC 2020). However, less than half of potentially eligible TINs for pediatric providers, HCBS-, and mental health providers received funding. In contrast, Medicare is the single largest payer for hospital care and virtually all hospitals are enrolled in Medicare and received provider relief funding.[9]

In the fall of 2020, MACPAC interviewed Medicaid officials in five states and representatives from national provider organizations for pediatricians, HCBS, and behavioral health providers to learn more about the barriers experienced by Medicaid providers applying for provider relief funding. Stakeholders noted that some providers did not apply because they were not aware they were eligible and were confused about how the provider relief fund related to other forms of COVID-19 relief funding, such as the paycheck protection program and Medicaid retainer payments for HCBS providers. Also, stakeholders noted that the application process was burdensome, especially for small providers with few administrative staff and for Medicaid providers who were not included in HHS's list of potentially eligible providers curated by state Medicaid and CHIP agencies and had to follow a special exceptions process to prove that they were eligible.

FIGURE 1. Share of Eligible Provider Organization TINs Receiving Provider Relief Funds in General Distribution by Provider Type, 2020



Notes: TIN is tax identification number. Other providers include technicians, therapists, and other provider types not listed. Provider types are based on provider classifications in the National Plan and Provider Enumeration System (NPPES). TINs for health systems that contain multiple provider types are counted in each provider type that is part of the health system. Some providers may have multiple TINs for different components of their business but only apply with one TIN. Analysis limited to TINs that could be matched to organizational national provider identifiers (NPIs) in NPPES. Provider organization TINs potentially eligible for provider relief funding is based on a curated list of providers developed by the Health Resources and Services Administration (HRSA) using provider enrollment files from Medicare, state Medicaid and CHIP agencies, the Transformed Medicaid Statistical Enrollment System (T-MSIS), and other sources. Providers with potentially eligible TINs must meet other eligibility criteria to receive funding. Analysis is based on applications submitted as of November 26, 2020.
Source: Acumen, 2021, analysis for MACPAC of NPPES and the HRSA curated list of providers potentially eligible for the provider relief fund general distribution.

Payment Amounts

Payment amounts from the initial general distribution varied widely. For example, multi-specialty provider systems affiliated with hospitals received an average payment of $6.8 million while mental health and substance use disorder providers, which often employ fewer staff and have less revenue, received an average payment of $8,362 from the general distribution (Acumen 2021).

In the initial general distribution, payments equaled 2 percent of providers' net patient revenue from patient care. There was no consideration of unpaid costs of care to uninsured individuals or the fact that Medicaid typically pays less than commercial insurers, both of which would affect net revenue. However, subsequent targeted distributions aimed to account for some of these factors for some provider types.

To look at payments received by safety-net hospitals, we estimated provider relief funding to hospitals under each allocation relative to their annual operating costs before the pandemic (Table 2). Specifically, we examined funding to deemed DSH) hospitals, which serve a high share of Medicaid-enrolled and low-income patients. We found that although deemed DSH hospitals received relatively less funding in the initial distribution, they received relatively more funding than non-deemed DSH hospitals after accounting for the targeted distribution payments. This analysis does not include additional funding that hospitals may have received in the Phase 3 general distribution based on financial losses in the first half of 2020, which was targeted to providers experiencing the greatest financial hardship during the pandemic.

Overall, critical access hospitals and other rural hospitals appear to have received more provider relief funds as a share of their operating expenses than other types of hospitals.[10] Rural hospitals generally have lower operating margins than urban hospitals and are often the sole source of inpatient care for residents in their communities (MACPAC 2018).

TABLE 2. Estimated Distribution of Provider Relief Funding to Hospitals (millions)

Hospital characteristics	Number of hospitals	Number of beds (thousands)	General distribution		General, safety-net, rural, and tribal distribution		General, safety-net, rural, tribal, and high-impact distribution	
			Total funding	Funding as a share of FY 2018 operating expenses	Total funding	Funding as a share of FY 2018 operating expenses	Total funding	Funding as a share of FY 2018 operating expenses
Total	**6021**	**670.3**	**$21,077**	**2.0%**	**$44,566**	**4.2%**	**$64,241**	**6.1%**
Hospital type								
Short-term acute care hospitals	3292	529.8	18,943	2.0%	36,205	3.9%	55,655	5.9%
Critical access hospitals	1355	28.4	742	1.9%	5,714	14.4%	5,829	14.7%
Children's hospitals	95	10.2	782	2.0%	2,037	5.2%	2,037	5.2%
Other	1279	101.9	610	1.7%	610	1.6%	719	1.9%
Urban or rural status								
Urban	3567	567.8	18,643	2.0%	30,305	3.3%	49,273	5.3%
Rural	2454	102.5	2,433	1.9%	14,261	11.0%	14,967	11.5%
Deemed DSH status								
Deemed	767	128.9	4,264	1.8%	11,251	4.8%	15,905	6.8%
Not deemed	5254	541.4	16,813	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. Analysis excludes $1.7 billion in high-impact distributions that could not be matched to hospital-level data, Phase 3 general distribution payments based on provider losses, and provider relief payments that have been returned by providers. Numbers do not add due to rounding.
Source: MACPAC, 2021, analysis of HHS 2020b, CDC 2020a, CDC 2020b, and Medicare cost report data.

Nursing facilities also received targeted relief funding that was primarily based on the number of certified nursing facility beds at a facility. Because the per diem rates for Medicaid-covered nursing facility stays are typically much lower than the rates for Medicare-covered stays, the targeted payment based on the number of certified beds resulted in relatively higher payments to facilities that serve a high share of Medicaid-covered patients (Table 3). For example, after accounting for the targeted relief funding, facilities that serve the highest quartile of Medicaid patients received relief payments equal to 7.7 percent of their fiscal year (FY) 2018 operating expenses, compared to the 5.3 percent for the lowest quartile (facilities with less than half their patient population covered by Medicaid).

TABLE 3. Estimated Distribution of Provider Relief Funding to Nursing Facilities as a Share of FY 2018 Operating Expenses, by Payer Mix of Facility

Provider relief distribution	All facilities	Share of residents whose primary support was Medicaid			
		Lowest quartile (<47%)	Second quartile (47–61%)	Third quartile (61–72%)	Highest quartile (>72%)
Total provider relief funding	**6.8%**	**5.3%**	**7.0%**	**7.4%**	**7.7%**
General distribution (2 percent of patient care revenue)	**2.0%**	2.0%	2.0%	2.0%	2.0%
Targeted distribution (based on number of certified beds)	**4.8%**	3.3%	5.0%	5.4%	5.7%

Note: FY is fiscal year. Total funding for each distribution is estimated based on available data and excludes $2.0 billion in quality incentive payments to nursing facilities from the provider relief fund and does not account for provider relief payments that have been returned by providers.
Source: MACPAC, 2021, analysis of Medicare cost report data and the Minimum Data Set.

Data are not yet available on whether relief funding has been adequate to cover providers' lost revenues and increased expenses due to COVID-19. Preliminary analyses by the Medicare Payment Advisory Commission suggest that, in the aggregate, initial relief funding offset several months of losses for hospitals, nursing facilities, and physicians at the start of the pandemic (MedPAC 2020). However, these analyses do not examine how particular types of providers have been affected; these may vary at the system or individual level. In addition, as the COVID-19 pandemic continues, it is unclear how provider finances will be affected in the future.

Reporting Requirements

All recipients of provider relief funding must attest to certain terms and conditions, including reporting requirements and prohibitions on surprise billing. Some providers have returned funding rather than meet these requirements.

HHS has posted a public list of the names of providers that have attested to the terms and conditions and the amount of funding that they have received, but this list does not include the national provider identifier (NPI) or other information that could be used to link to other data sources. It is also not possible to identify individual providers who are part of the multi-provider systems that received approximately two-thirds of provider relief payments (Acumen 2021). State Medicaid programs were not given any additional information beyond what is publicly available, making it difficult for states to consider who has received federal relief payments when targeting other state funding.

Providers who receive more than $10,000 in provider relief funding will be required to submit reports to HHS describing how these funds were used (HHS 2021a). Specifically, they must document that the funding received was less than their lost patient care revenues and COVID-19 related expenses that were

not reimbursed by other sources. If funding exceeds this amount, it must be returned to HHS after these audits are complete.

The HHS Office of Inspector General (OIG) is required to report on provider relief funding within three years after payments were made, but OIG and the U.S. Government Accountability Office (GAO) can conduct interim audits of provider relief fund payments before that date. For example, GAO has been releasing bi-monthly reports on the implementation of the CARES Act, which have included preliminary analyses of provider relief spending (GAO 2021).

Notes

[1] Black, Hispanic, and American Indians and Alaskan Native people have been experiencing a disproportionate burden of COVID-19 cases and deaths, and the majority of Medicaid patients identify as a non-white race or ethnicity (Artiga et al, 2020, MACPAC 2019). In addition, Medicaid is the primary payer for most residents of long-term care facilities, which have accounted for 36 percent of COVID-19 deaths as of January 28, 2021 (COVID Tracking Project 2021).

[2] Medicare-enrolled providers who did not bill Medicare in calendar year 2019 were not eligible to receive initial provider relief fund distributions but were eligible to receive funding in the Phase 2 distribution announced in June 2020.

[3] In this memo, provider relief funds refer to the federal provider relief fund created by the CARES Act and Paycheck Protection Program and Health Care Enhancement Act. Providers may have received other forms of state and federal assistance during the COVID-19 pandemic from other sources.

[4] Medicare DSH patient percentage is the sum of a hospital's share of patients enrolled in Medicaid and the share receiving Supplemental Security Income.

[5] Providers who were eligible for the Phase 1 general distribution but did not apply and Medicare providers who had a change of ownership in 2020 were also eligible to apply in Phase 2.

[6] Eligible providers who had not previously applied for funding in Phase 1 or 2 could also apply during phase 3 for the funding that they would have received during those earlier phases.

[7] Of the 369,439 TINs that received provider relief funding and could be matched to NPPES in our analysis, 47,257 TINs (13 percent) were registered with a SSN and were thus excluded from our analysis. These providers accounted for approximately 1 percent of provider relief general distribution funding based on patient care revenue.

[8] HHS asked state Medicaid and CHIP agencies to provide identifying information on all Medicaid-enrolled providers and then used this list to help verify provider eligibility for the Phase 2 general distribution.

[9] The less than 100 percent uptake rate for hospitals is likely due to the fact that some providers have multiple TINs for different components of their business but only applied using one TIN and because of changes in hospital ownership.

[10] Critical access hospitals receive a special payment designation from Medicare because they are small (fewer than 25 beds) and are often the only hospital provider in the community.

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Appendix A. Provider Relief Fund Distributions Timeline

TABLE A-1. Summary of Provider Relief Fund Allocations Announced as of December 31, 2020

Provider relief category	Date announced (2020)	Amount of funding	Eligible providers	Payment methodology
Phase 1 general distribution	April 10 (initial $30 billion); April 24 (additional $20 billion)	$50 billion	All providers who bill Medicare FFS	2 percent of patient revenue (First $30 billion based on Medicare FFS revenue)
Rural distribution	May 6	$11.3 billion	Rural health care providers	Fixed payment per provider plus additional payment as a share of operating expenses
COVID-19 high-impact distribution	May 7 (admissions as of April 10); June 15 (admissions as of June 10)	$22 billion	Hospitals with a high number of COVID-19 admissions	Fixed amount per COVID-19 admission; higher rate for Medicare DSH hospitals
Skilled nursing facilities and nursing homes distribution	May 22; August 7 (additional allocation); September 3 (performance payment)	$9.4 billion	Certified nursing facilities with six or more beds	$60,000 plus $3,950 per bed and $2 billion based on performance incentives
Tribal hospitals, clinics, and urban health centers distribution	May 29	$500 million	Indian Health Service and tribal hospitals, clinics, and programs	Fixed amount plus a share of operating expenses

Provider relief category	Date announced (2020)	Amount of funding	Eligible providers	Payment methodology
Safety-net hospitals	June 9 August 14 (additional allocation to children's hospitals)	$14.7 billion	Short-term acute hospitals with a Medicare DSH percentage above 20.2 percent, total margins below 3 percent, and uncompensated care costs greater than $25,000 per bed; children's hospitals with a high Medicaid patient percentage	$13.3 billion distributed relative to a hospitals' Medicare DSH percentage and number of beds; Additional $1.4 billion payment to children's hospitals based on 2.5 percent of net patient revenue
Phase 2 general distribution	June 9	$18 billion	Medicaid or CHIP-enrolled providers, dentists, and assisted living facilities, and certain Medicare providers that did not receive funding in Phase 1	2 percent of patient revenue; Eligible providers must apply by September 13, 2020
Phase 3 general distribution	October 1	$24.5 billion	Providers eligible for previous general distribution payments, additional behavioral health providers, and providers who began practicing in 2020	2 percent of patient revenue for newly eligible providers; Approximately 88 percent of reported losses for the first half of 2020

Notes: FFS is fee for service. Medicare DSH patient percentage is the sum of a hospital's share of patients enrolled in Medicaid and the share receiving Supplemental Security Income.
Source: MACPAC, 2021, analysis of HHS 2020b.