CARES Act:
Ten key provisions for hospitals

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted as of March 27, 2020. In addition to delivering temporary relief to individuals, businesses, and other aspects of the national economy, its $2 trillion in provisions also identify and address numerous areas of healthcare financial need that have developed as providers attempt to address COVID-19 health emergencies. Included is meaningful financial assistance for individual professional healthcare providers, hospitals, and related entities.

These provisions help address the need for additional cash for healthcare operations, expand telehealth services and allowable technology, meet the increasing burden on rural health providers, maintain short-term reimbursement programs, and seek to overcome drug and equipment shortages.

Shown below are 10 of the key benefits for healthcare providers under the CARES Act and how they will assist hospitals in responding to the current pandemic and preparing for future needs.

Expansion of the Medicare hospital Accelerated and Advance Payment program during the COVID-19 public health emergency.

The CARES Act expands the existing program, allowing hospitals to request an advance payment during the COVID-19 public health emergency. The U.S. Department of Health & Human Services (HHS) has been instructed to: (i) make advance and/or accelerated payments for traditional (fee-for-service) Medicare patients; (ii) increase the funds that would otherwise be made available to the hospital under the Medicare program, to up to 100% (or 125% for Critical Access Hospitals [CAHs]); (iii) extend the period of advance payments up to six months; (iv) allow up to 120 days before claims are offset to recoup any advance payments; and (v) allow at least 12 months from the first advance payment date before requiring payment in full. The CARES Act expands participation eligibility to additional hospital provider types, specifically CAHs. Accelerated or advance payments will provide needed cash to cover increased costs for services not yet billed and reimbursed by Medicare. Expansion of this program will help hospitals sustain a stable cash flow to maintain the necessary workforce, purchase supplies and equipment, and treat patients during the pandemic.

Add-on payment for inpatient hospital COVID-19 patients.

Hospitals will receive a payment increase of 20% for patients diagnosed with COVID-19 and later discharged during the emergency period. The discharge will be identified based on a new diagnosis code, ICD-10-CM U07.1, to be used for dates of service/discharge on or after April 1, 2020. The weighting factor will increase by 20% for the diagnosis-related groups (DRG) to which a COVID-19 discharged patient is assigned, thus increasing the payment by 20%.

Telehealth services greatly expanded.

The Act provides $200 million for the Federal Communications Commission (FCC) to support efforts of healthcare providers to address the coronavirus by providing telecommunication services, information services, and devices necessary to enable the provision of telehealth services. The increased funding — together with CMS's efforts to expand covered services, enroll providers, and allow telephone and virtual visits to be reimbursed at the same rates as face-to-face patient visits — will allow providers to treat Medicare patients safely and be paid for their services during the emergency period.

Coverage of diagnostic testing for COVID-19.

The CARES Act prohibits private health insurance plans from imposing any cost-sharing (e.g., deductibles, copayments, and coinsurance), prior authorization, or other medical management requirements for COVID-19 diagnostic testing (including those tests without an Emergency Use Authorization from the FDA) or for services related to the administration of such tests.

The 2% Medicare sequestration reduction for hospital payment will be temporarily suspended.

Beginning on May 1, 2020 — and running through December 31, 2020 — the CARES Act temporarily suspends the Medicare sequester deductions, which will increase payments to hospitals and other providers during the COVID-19 emergency. The Medicare sequestration policy reduces fee-for-service Medicare payments by 2%.

The American Hospital Association has estimated this policy would have cost hospitals more than $85 billion through fiscal year 2029. So this change should reduce the policy's impact during the pandemic. Providers should note, however, that the CARES Act extends the sequestration policy through 2030 in exchange for this temporary suspension.

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Scheduled Medicare payment adjustments for durable medical equipment (DME) will be halted.

The CARES Act provides additional Medicare payment adjustments, including but not limited to halting scheduled Medicare payment reductions for DME. The CARES Act also postpones the scheduled reductions in Medicare reimbursement for clinical diagnostic laboratory tests furnished to beneficiaries in 2021.

Disproportionate Share Hospital (DSH) reductions for treatment of Medicaid patients will be delayed.

The CARES Act delays the $4 billion in Medicaid DSH reductions for federal fiscal year 2020. DSH reductions for fiscal year 2021 (generally beginning on October 1) also will be delayed until December 1, 2020.

The CARES Act also reduces the fiscal year 2021 DSH reductions to $4 billion (instead of the $8 billion originally proposed), with no additional cuts after fiscal year 2025.

Increased Medicaid payment for home- and community-based attendant services.

The CARES Act permits state Medicaid programs to pay for home- and community-based attendant or caregiver services rendered in an acute-care hospital. This change will allow these attendants to assist patients with activities of daily living to reduce the length of the patients' hospital stay in an acute care hospital, particularly those patients with disabilities. Each patient's individual plan of care must identify the medically necessary services to be provided by the caregiver or attendant, and the provider plan is required to make a smooth transition between the acute- and home-care settings.

A separate fund of $250 million will be set aside for the Hospital Preparedness Program.

The CARES Act establishes a fund to support regional collaboration and preparedness/response among health systems. The entities included will be the National Ebola and Special Pathogens Training and Education Center; regional, state, and local special pathogens treatment centers; and hospital preparedness cooperative agreements.

Loans for small hospitals.

For-profit and not-for-profit hospitals with fewer than 500 employees may be eligible for up to $10 million each in emergency loans to pay for salaries, healthcare, and other employee-related expenses, loans that could be forgiven later if recipient organizations do not conduct layoffs during the emergency period. Further guidance on applying and receiving a small hospital loan will be forthcoming.

For more information, visit www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources.

Questions? Please contact us today.

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