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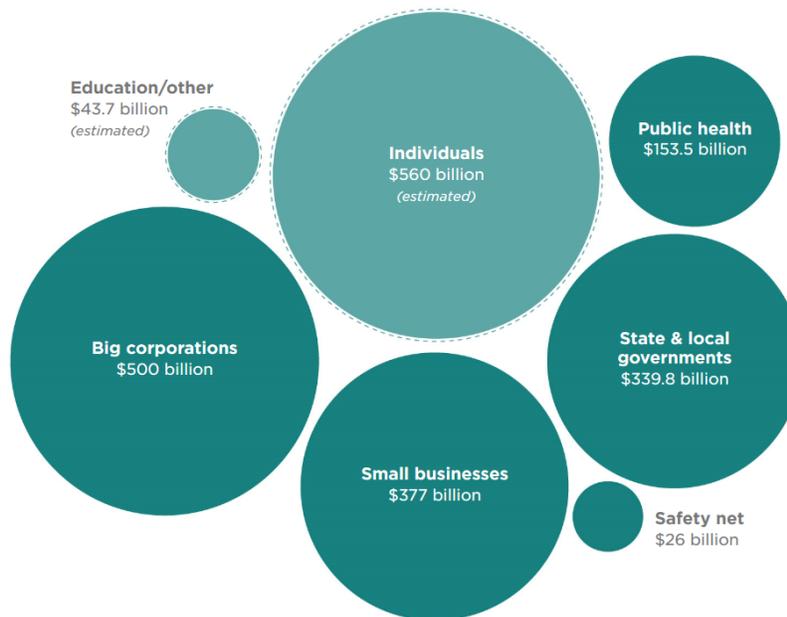
The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)

On Friday, March 27, 2020, President Trump signed the \$2.2 Trillion [Coronavirus Aid, Relief, and Economic Security Act, \(CARES/ H.R. 748\)](#) into law. This bill is the third large-scale congressional effort in response to the novel coronavirus (COVID-19) outbreak. The legislation reflects a bipartisan agreement between Senate leaders and the Trump Administration.

The legislation provides financial relief and resources to individuals, families and businesses particularly hard hit by the COVID-19 public health emergency, although there are important conditions and eligibility requirements. It also includes a number of important health care provisions. An emergency fund for hospitals and health systems, a Medicaid Disproportionate Share Hospital (DSH) cut delay, temporary elimination of the Medicare sequester, and a Medicare diagnosis-related group (DRG) add-on payment together are estimated to make available \$117 billion in new funding for urban and rural hospitals and health systems.

How The \$2 Trillion Breaks Down

The CARES Act provides relief to several groups impacted by the coronavirus pandemic.



Source: Estimates for third relief bill based on bill text, committee and administration numbers.
Credit: Audrey Carlsen/NPR

Direct COVID-19 Response

- **COVID-19 Testing:** All testing and potential vaccines for COVID-19 will be covered at no cost to patients.
- **DRG Add-on:** During the emergency period, the legislation provides a 20% add-on to the DRG rate for patients with COVID-19. This add-on will apply to patients treated at rural and urban inpatient prospective payment system (IPPS) hospitals.
- **Coverage of Diagnostic Tests and Preventive Services:** The legislation includes several provisions related to coverage and reimbursement for COVID-19 testing and testing-related services. The legislation expands the types of diagnostic tests that will be covered to include laboratory tests that have not been approved by the FDA but meet certain conditions, including that the applicable state or territory has assumed responsibility for the validity of the tests. The legislation then directs certain commercial payers and public programs to cover this broader range of tests.

Key Healthcare Provisions

- **Hospitals and health care:** The deal provides over \$140 billion in appropriations to support the U.S. health system, \$100 billion of which will be spent on hospital related costs. The rest will be dedicated to providing personal and protective equipment for health care workers, testing supplies, increased workforce and training, accelerated Medicare payments, and supporting the CDC, among other health investments.

The bill increases funding for the Public Health and Social Services Emergency Fund, including:

- \$100 billion to reimburse eligible health care providers for health care-related expenses or lost revenues not otherwise reimbursed that are directly attributable to COVID-19.
- \$27 billion, to remain available through fiscal year (FY) 2024, to fund activities such as developing vaccines, and purchasing vaccines, diagnostics and medical surge capacity. At least \$250 million of these funds must be made available to entities that are part of the Hospital Preparedness Program. In addition, at least \$16 billion of these funds must be used to purchase products for the Strategic National Stockpile; and
- \$275 million to remain available until Sept. 30, 2022, for the services administered under the Health Resources and Services Administration (HRSA), of which \$180 million will need to be used to carry out telehealth and rural health activities. Included within this amount is \$15 million that is allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes.

Medicare

Adjustment of Sequestration

- A temporary suspension of Medicare sequestration put into effect during the period of May 1, 2020 through December 31, 2020.
- Medicare Hospital Inpatient Prospective Payment System Add-On Payment for COVID-19 Patients During Emergency Period.
- The Secretary of HHS will increase the weighting factor for coronavirus-diagnosed patients discharged during the emergency period.

Medicaid

Delay of DSH Reductions

- Eliminates the \$4 billion in Medicaid DSH cuts in FY 2020 and reduces the cut for FY 2021 to \$4 billion from \$8 billion. Implementation of the FY 2021 cuts are delayed until Dec. 1, 2020. The legislation does not add any additional cuts after the current end-date of FY 2025.

Clarification of State Medicaid Option to Cover the Uninsured

- Clarifies that non-expansion states can use the Medicaid program to cover COVID-19-related services for uninsured adults who would have qualified for Medicaid if the state had chosen to expand. It also clarifies that other populations with limited Medicaid coverage, such as impoverished pregnant women and individuals who are eligible because they have certain health conditions, also are eligible for coverage under this state option.

Extension of the Money Follows the Person Rebalancing Demonstration Program

- The Deficit Reduction Act of 2005 section 6071(h)(1)(G) is amended to allocate \$337.5 million for the period beginning on January 1, 2020 and ending on September 30, 2020. For the period beginning on October 1, 2020 and ending on November 30, 2020, the amount available will be equal to the pro rata portion of \$337,500,000.

Extension of Spousal Impoverishment Protections

- Extends the protections through November 30, 2020.
- Allows the State to disregard the income of a spouse and conduct an analysis solely on an individual's eligibility for medical assistance on the basis of reduction of income.

Extension and Expansion of Community Mental Health Services Demonstration Program

- Expands the Protecting Access to Medicare Act of 2014.

Telehealth

- **Medicare Telehealth Flexibilities:** Eliminates the requirement included in the Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074) that providers or others in their group must have treated the patient in the past three years to provide them with a telehealth service during the ongoing public health emergency.
- **Using Telehealth for Hospice Recertification:** This section allows hospice recertifications to be completed via telehealth, rather than a face-to-face visit, during the emergency period.
- **High Deductible Health Plan (HDHP) Exemption for Telehealth Services:** Allows HDHPs with HSAs to cover telehealth services before a patient reaches their deductible amount.

Additional Health Care Provisions

- **Home-based Services:** The bill makes a number of policy changes regarding the provision of home-based health care services, which seek to increase access and decrease patient risk during the emergency period.

- **Face-to-Face Visits between Home Dialysis Patients and Physicians:** Reduces requirements during the COVID-19 emergency that pertain to face-to-face evaluations for home dialysis patients.
- **Facilitating Home and Community-based Support Services during Hospital Stays:** Expand certain state and community-based services guidelines to include self-directed personal assistance services and attendant services and supports. Many of these policy changes also will apply to Medicaid home health services.
- **Access to Health Care Supplies:** Addresses access to health care supplies, including medications.
- **Supplies to be Included in the Strategic National Stockpile (SNS):** Amends the Public Health Service Act to require that certain medical supplies and drugs be included in the strategic national stockpile. Specifically, it will require the inclusion of personal protective equipment, ancillary medical supplies, supplies necessary for the administration of drugs, diagnostic tests, vaccines and other biologic products and medical devices.

Permits group health plans and insurers are to cover and reimburse providers of diagnostic testing relating to COVID-19 at pre-emergency-period negotiated rates, and sets reimbursement rates in instances without previously negotiated rates equal to the cash price for services listed on a publicly-available website or the plan or insurer can negotiate with a provider for a rate lower than such cash price. All providers of a diagnostic test for COVID-19 are required to publicize cash price for such tests. Failure to comply with these requirements could result in HHS assessing a civil monetary penalty of up to \$300 per day. In addition, health plans are required to cover qualifying COVID-19 preventive services such as an item, service or immunization recommended by the US Preventive Services Task Force or CDC's Advisory Committee on Immunization Practices.

Food and Drug Administration: \$80 million to the FDA for work related to shortages of critical medicines, emergency use authorizations and pre- and post-market work on medical countermeasures, therapies, vaccines and research.

Defense Production Act: \$1 billion to the Department of Defense to invest in manufacturing capabilities in order to increase production of personal protective equipment and medical equipment to meet the demand of healthcare workers nationwide.

Expansion of Military Hospitals: \$1.5 billion to nearly triple the 4,300 beds available in military treatment facilities today.

Indian Health Service (IHS): Over \$1 billion to support the tribal health system during the pandemic, including support for medical services, equipment, and supplies, new investments for telehealth services, and expanded disease surveillance.

Centers for Disease Control and Prevention: \$4.3 billion to the CDC for coronavirus response, including \$1.5 billion to support states, local governments, territories, and tribes; \$500 million for public health data surveillance and analytics infrastructure modernization; and \$1.5 billion for efforts to contain and combat the virus, among other uses.

National Institutes of Health: \$945 million to support research, including developing an improved understanding of the prevalence of COVID-19, its transmission and the natural history of infection, and approaches to diagnosing the disease and past infection, and developing countermeasures for the prevention and treatment of its various stages.

Centers for Medicare & Medicaid Services: \$200 million for CMS to assist nursing homes with infection control and support states' efforts to prevent the spread of coronavirus in nursing homes.

Child Care Development Block Grant: \$3.5 billion for the Child Care Development Block Grant, allowing child care programs to maintain critical operations, including meeting emergency staffing needs and ensuring first responders and health care workers can access child care.

Veterans Affairs: \$16 billion to support an increase in demand for VA services specific to coronavirus. This covers treatment of veterans nationwide for coronavirus within VA hospitals and community urgent care clinics and emergency rooms. These funds allow VA to cover overtime for their clinical staff, the purchase of personal protective equipment, test kits, and other necessary equipment to manage the impacts of this pandemic among the veteran population.

Family and Medical Leave (FML) and Sick Leave Policies: Amend the changes to the FML and sick leave policies established by the Families First Coronavirus Response Act to limit the total amount employers may have to pay under each benefit, among other changes.

Health Resources and Services Administration (HRSA) Grants for Rural Entities

- Expands rural health care services outreach grants, rural health network development grants, and small health care provider quality improvement grants.
- Increases the time period of grants from three to five years and focus the grants on assistance to rural underserved populations.
- Removes the eligibility criterion of public or non-profit status; instead, eligible entities must “be an entity with demonstrated experience serving, or the capacity to serve, rural underserved populations.” For the quality improvement grants, the bill will include as quality improvement activities related to increasing care coordination, enhancing chronic disease management, and improving patient health outcomes. Includes \$79.5 million for each of fiscal years 2021 through 2025. Requires a report on the activities and outcomes of these grant programs, including the impact of funded projects on the health status of rural residents with chronic conditions.

General Provisions

- **Direct payments:** Americans who pay taxes will receive a one-time direct deposit of up to \$1,200, and married couples will receive \$2,400, plus an additional \$500 per child. The payments will be available for incomes up to \$75,000 for individuals and \$150,000 for married couples. Amounts will decrease based upon additional income levels.
- **Unemployment Insurance (UI):** \$250 billion for an extended UI program and expands eligibility and offers workers an additional \$600 per week for four months, on top of what state programs pay. This increase applies for unemployment payments made from the date of the law's enactment through July 31, 2020. The law provides unemployment benefit assistance to covered individuals who are not otherwise entitled to benefits under existing state or federal law for weeks of unemployment, partial unemployment, or inability to work caused by COVID-19 during the period January 27, 2020 through December 31, 2020. Extended UI benefits apply to the self-employed, independent contractors and gig economy workers for the first time.
- **Payroll taxes:** Allows employers to delay the payment of their portion of 2020 payroll taxes until 2021 and 2022.

- **Use of retirement funds:** Waives the 10% early withdrawal penalty for distributions up to \$100,000 for coronavirus-related purposes, retroactive to January 1, 2020. Withdrawals are still taxed, but taxes are spread over three years, or the taxpayer has the three-year period to roll it back over.
- **401(k) Loans:** The loan limit is increased from \$50,000 to \$100,000
- **Required Minimum Distributions (RMDs) suspended:** RMDs from IRAs and 401(k) plans (at age 72) are suspended.
- **Charity:** Provides an above-the-line deduction for charitable contributions, plus, the limits on charitable contributions are changed.
- **Small business relief:**
 - \$350 billion is being dedicated to preventing layoffs and business closures while workers have to stay home during the outbreak.
 - Companies with 500 employees or fewer that maintain their payroll during coronavirus can receive up to 8 weeks of cash-flow assistance.
 - Loans may be up to \$10 million if employers maintain payroll, the portion of the loans used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven.
- **Net Operating Losses:** The Tax Cuts and Jobs Act (TCJA) net operating loss rules are modified. The 80% rule is lifted, and losses can now be carried back five years.
- **Excess Loss Limitations (ELL):** ELL rules for pass-through entities are suspended.
- **Interest Expense Limitation:** Increased to 50% from 30% for tax years beginning in 2019 or 2020. Taxpayers can also elect to calculate the interest limitation for 2020 using their 2019 adjusted taxable income as the relevant base, which often will be significantly higher.
- **Large corporations:**
 - \$500 billion will be allotted to provide loans, loan guarantees, and other investments, these will be overseen by a Treasury Department inspector general. These loans will not exceed five years and cannot be forgiven.
 - Airlines will receive \$50 billion (of the \$500 billion) for passenger air carriers, and \$8 billion for cargo air carriers.
- **Distressed Businesses:** The Act authorizes the Treasury Secretary to make up to \$500 billion worth of loans and loan guarantees to eligible businesses, states, and municipalities. No more than \$25 billion can be loaned to passenger air carriers, no more than \$4 billion to air cargo carriers, and no more than \$17 billion to businesses important to maintaining national security. The remainder is to be used to support lending to eligible businesses, states, and municipalities. The term “eligible business” includes passenger air carriers or any other business that has not already received adequate economic relief in the form of loans or loan guarantees under other provisions of the Act.
- **States and local governments:** State, local and tribal governments will receive \$150 billion. \$30 billion is set aside for states, and educational institutions. \$45 billion is for disaster relief, and \$25 billion for transit programs.
- **U.S. Department of Agriculture (USDA):** Increases the amount the USDA can spend on its bailout program from \$30 billion to \$50 billion.