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MEMO

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TO: Missouri Congressional Delegation

FROM: Daniel Landon
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SUBJECT: Medicare Accelerated Payments

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress expanded the Medicare Accelerated Payment program. It provided a means for many Missouri hospitals to survive the combined loss of elective procedures and increased pandemic expenses while the financial relief authorized elsewhere in the act could be designed and implemented. The Accelerated Payment program allowed hospitals to receive an advance payment based on their Medicare fee-for-service billings, with recoupment of the advance from future Medicare payments. Essentially, this served as a short-term loan. CMS made the Accelerated payments available from April 1 to April 26, when applications for funding were suspended.

Recoupment of the accelerated payment begins 120 days after its receipt, so all of the participating Missouri hospitals now are having all of their Medicare fee-for-service claims payments withheld to offset the debt. If the entirety of the debt obligation is not repaid within 12 months through the withholding of Medicare payments, the hospital must pay the balance directly or incur interest at a rate exceeding 10 percent.

On average, Medicare fee-for-service payments comprise about 48% of rural hospital revenues, so the current loss of Medicare payments is a daunting cash-flow challenge. The problem is exacerbated by the ongoing demands of the COVID-19 pandemic. While some of the elective procedures have returned at many hospitals, hospital finances are far from pre-COVID levels of sustainability. Missouri Hospital Association projections indicate the federal financial relief provided from March through December of 2020 will offset approximately one-third of Missouri hospitals' cumulative financial losses arising from the pandemic by the end of the year. Also, it is important to note that of the \$2.7 billion in federal relief funding received by Missouri hospitals from the CARES Act, 70%, or \$1.9 billion, are loans that must be repaid.

To that end, MHA urges the Missouri congressional delegation to support legislation to relax the repayment obligations of the Medicare Accelerated Payment program. Several options could be made available based on a hospital's financial situation.

- Repayment obligations could be deferred.
- Repayment obligations could be extended over a longer period of time.
- Repayment obligations could be forgiven.
- The percentage of current Medicare claims payments withheld to offset the debt could be lowered from 100%.
- Congressman Jason Smith's legislation, H.R. 7759, authorizes CMS to forgive, delay or reduce the interest rate for repayment obligations for Medicare Accelerated Payments based on a showing of financial hardship. It is cosponsored by three other members of the Missouri congressional delegation.

MHA also urges Congress to significantly lower the interest rate of more than 10% charged for unpaid balances 12 months after loan issuance.

If you have questions or comments about this issue, please contact me at 573/893-3700, ext. 1349 or dlandon@mhanet.com.

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