



Herb B. Kuhn
President and CEO
P.O. Box 60
Jefferson City, MO 65102

MEMO

June 1, 2020

TO: Missouri Congressional Delegation

FROM: Daniel Landon
Senior Vice President of Governmental Relations

SUBJECT: Medicare Accelerated Payments for COVID-19 Financial Relief

The Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded authority for Medicare accelerated payments to hospitals. The change has become a major source of congressional financial assistance in response to the COVID-19 emergency. Missouri hospitals have received \$1.9 billion in accelerated payments.

The new authority arose out of a March 23 conference call of the Missouri Hospital Association's member hospitals and Senators Roy Blunt and Josh Hawley. In response to hospital concerns that federal financial relief which takes 4 to 6 weeks to arrive might come too late for many hospitals, Senators Blunt and Hawley quickly crafted and incorporated program changes to provide a source of immediate funding, with a repayment obligation. This provided a bridge to later distributions from the Public Health and Social Services Emergency Fund.

Medicare accelerated payments have been useful in bridging that gap. However, many Missouri hospitals were hesitant to participate because of the uncertainty of their ability to fulfill the loan repayment obligations. They desperately needed a lifeline, but worried the terms of the rescue might pull them under a few months hence.

Under the new program, hospitals receive an advance payment of as much as six months of revenue based on past Medicare reimbursement. Beginning 120 days after the payment is made, Medicare recoups it by offsetting all Medicare payments until the repayment obligation is fulfilled. For acute inpatient, children's, certain cancer hospitals and critical access hospitals, any unpaid balance remaining after one year accrues interest at an annual rate of 10.25%. For hospitals receiving an advance payment in early April, as many did, recoupment of the repayment obligations will begin in two months.

Unfortunately, hospitals' net revenues still are far below normal levels and are expected to remain so for the balance of 2020. MHA's new assessment of its membership's projected revenue loss, offset by federal financial relief from the Public Health and Social Services Emergency Fund that has been enacted to date, shows that the federal relief payments have offset approximately 37% of the projected cumulative loss as of May 31. The projected distribution of enacted federal financial relief payments will account for about 30% of cumulative losses by the end of 2020. Clearly, while the federal financial relief has been of great benefit and is greatly appreciated, Missouri hospitals continue to face a dire financial situation.

Various members of the Missouri congressional delegation have expressed support for authorizing loan repayment forgiveness based on documentation of financial hardship or delaying the repayment obligation and reducing the interest rate. MHA appreciates these actions. However, given the financial prognosis for our hospitals during the remainder of 2020, MHA urges Congress to provide full forgiveness of loan repayment obligations associated with the expanded Medicare accelerated payment program created by the CARES Act.

If you have any questions, please contact me at dlandon@mhanet.com or 573-893-3700, ext. 1349.

dl/djb