

ANALYSIS

Item 13: Oregon Health Authority Provider Relief Fund

Analyst: Tom MacDonald

Request: Approve, retroactively, the submission of a federal grant application of an indeterminant amount to the U.S. Department of Health and Human Services for reimbursement of Oregon State Hospital expenses or lost revenues resulting from the COVID-19 pandemic.

Analysis: The Oregon State Hospital (OSH) has applied for a Provider Relief Fund grant to mitigate the financial impact the COVID-19 has had on the hospital's operations. The federal application process does not allow applicants to request a specific dollar amount and the U.S. Department of Health and Human Services (HHS) will determine individual payment levels after all applications have been evaluated. The application deadline was October 26, 2021 and the Oregon Health Authority (OHA) submitted a timely 10-day notification of its intent to apply for this opportunity.

The Provider Relief Fund is a \$186.5 billion federal program that provides financial relief to health care providers for expenses or lost revenues attributable to COVID-19; the program also supports COVID-19 testing and treatment for uninsured individuals. Since April 2020, HHS has announced distributions of over \$130 billion to health care providers through three "general distributions" and various "targeted distributions." Hospitals and other providers automatically received Phase 1 and 2 general distributions based on prior Medicare fee-for-service reimbursement levels. The other distributions were application-based and carried different eligibility criteria.

Because OSH bills Medicare for some patient costs, the hospital received Phase 1 and 2 general distributions totaling \$3 million during the 2019-21 biennium. The hospital was eligible for the Phase 3 distribution and submitted a corresponding grant application request to the December 11, 2020 meeting of the Emergency Board. However, OSH ultimately did not receive a Phase 3 award. The current opportunity is a \$25.5 billion Phase 4 distribution available to providers through two components:

1. *General Distribution (\$17 billion)* - includes base payments related to changes in providers' operating revenues and expenses from July 1, 2020 through March 31, 2021; and bonus payments based on Medicare, Medicaid, and Children's Health Insurance Program (CHIP) services provided.
2. *Rural Distribution (\$8.5 billion)* - includes payments based on Medicare, Medicaid, and CHIP services provided to rural patients from January 1, 2019 through September 30, 2020.

Payments from both components can be used for eligible COVID-19 expenses or lost revenues retroactive to January 1, 2020. The grant does not require a state match or maintenance of effort and will not be used to hire new staff. Any amount received by OSH will be recognized in OHA's next budget rebalance.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the request.

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Oregon Health Authority
Heath

Request: Retroactive authorization for the Oregon Health Authority to apply for a grant from the U.S. Department of Health and Human Services – Provider Relief Fund to defray the costs of responding to COVID-19.

Recommendation: Approve the request.

Discussion: The Oregon Health Authority (OHA) requests retroactive authorization to apply for a grant of an indeterminate amount from the Provider Relief Fund to defray the costs of responding to the COVID-19 pandemic at the Oregon State Hospital (OSH). OHA found out about the grant on September 10, 2021, and applications were due on October 26, 2021.

The Provider Relief Fund was originally established by the federal CARES Act in March 2020 to reimburse hospitals for the healthcare-related expenses or lost revenues attributable to COVID-19. OSH received \$3.1 million from this initial round of funding but was ineligible or otherwise did not receive funding from subsequent rounds.

OHA is submitting a request for an additional allocation from the Provider Relief Fund to support OSH’s COVID-19 response, including testing, diagnosis, and care for individuals with possible or actual cases of COVID-19. In addition, OSH has faced lost insurance billing revenue due to changed admissions processes needed to keep its patients safe from potential exposure to COVID-19.

The grant amount will be determined by formula from a pool of \$25.5 billion in available funds; as such, no dollar amount was requested. The Provider Relief Fund, which has \$17 billion in grants, will be allocated nationally by a formula based 75% on changes in revenue and expenses for the period of July 2020 to March 2021 and 25% on the percentage of patients covered by federal insurance (Medicaid, Medicare, etc). An additional \$8.5 billion will be allocated to providers on the amount and type of services they provide to Medicare and Medicaid patients who live in rural areas. There is no maintenance of effort or match required to accept this funding.

In addition to the requested funds, OSH has been working to seek reimbursement from the Federal Emergency Management Agency (FEMA) for the cost of responding to COVID-19 at the hospital. OHA has received notification that it will be reimbursed \$0.6 million by FEMA for COVID-related costs at OSH; there is another \$0.7 million in requests outstanding. OSH believes they have a sufficient amount of unreimbursed COVID-related costs and / or revenue shortfalls to fully utilize the Federal Funds it will receive.



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October 20, 2021

Senator Elizabeth Steiner Hayward
Senator Betsy Johnson
Representative Dan Rayfield
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of the Request

The Oregon Health Authority is requesting retroactive approval for the Oregon State Hospital (OSH) to apply for a Provider Relief Fund (PRF) Phase 4 General Distribution funds and American Rescue Plan Act (ARPA) Rural Payment from the U.S. Department of Health and Human Services (HHS). This financial relief is to be used to prevent the spread of, prepare for, and respond to COVID-19, and shall only reimburse OSH for health care related expenses or lost revenues that are attributable to COVID-19.

Applications for Phase 4 funding are due by October 26, 2021. This grant funding requires no state matching funds or in-kind services. No additional positions are requested.

Agency Action

OSH provides, or has provided after January 31, 2020, diagnoses, testing, or care for individuals with possible or actual cases of COVID-19. OSH is eligible to apply for this financial relief because it meets the criteria of being a provider or supplier who bills Medicare fee-for-service (Parts A, B, and C) and Medicaid (fee-for-service or managed care) and remains in good standing with Medicare, Medicaid, and other federal health care programs.

OSH will use the payment to prevent the spread of, prepare for, and respond to the coronavirus and reimburse the hospital for health care related expenses or lost revenues that are attributable to COVID-19. OSH will not use the payment to

reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

In April 2020, HHS made available to providers that bill Medicare, an allocation based on their 2018 cost reporting data to provide relief for increased costs and lost revenue due to emergency and sustained COVID-19 pandemic response. OSH met the eligibility requirements for this emergency allocation, which came in two installments, totaling \$3,051,733. Since the start of the pandemic, OSH has generated unbudgeted costs due to COVID-19 that exceed the initial allocation of Provider Relief Funding (PRF).

On September 10, 2021, HHS announced an additional \$25.5 billion in combined PRF and ARPA Rural Payments and invited eligible providers to apply for an allocation of funds. The total amount made available under the PRF Phase 4 General Distribution is \$17 billion to eligible providers and the total amount made available under ARPA is \$8.4 billion, targeting eligible providers that serve patients who reside in designated rural areas. A single application will be considered for both funds.

PRF Phase 4 consists of two components:

- **Base Payments:** Approximately 75 percent of the funding will be allocated to providers based on their reported changes in revenues and expenses for the period from July 1, 2020, to March 31, 2021. Smaller and medium-sized providers (based on annual net patient care revenues) will receive relatively higher percentages of their changes in revenues and expenses from this period.
- **Bonus Payments:** Approximately 25 percent of the funding will be used to make bonus payments to providers based on the provider's level of participation in Medicaid, the Children's Health Insurance Program (CHIP), and Medicare.

The \$8.5 billion in ARPA Rural Payments will be made to providers based on the amount and type of services they provide to Medicare, Medicaid, and CHIP patients who live in rural areas, as defined by the Federal Office of Rural Health Policy. In other words, eligible providers who may not be located in an area classified as rural, but who serve rural patients, may receive ARPA Rural Payments.

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Oregon State Hospital was eligible to apply for Phase 3 funding and did so in November 2020 and was not awarded funds in that round. The amount of funding and whether it will be awarded for Phase 4 is unknown.

Action Requested

The Oregon Health Authority requests retroactive approval to apply for Phase 4 Provider Relief Funding and American Rescue Plan Act Rural Payments from the U.S. Department of Health and Human Services.

Legislation Affected

None.

Sincerely,



Patrick M. Allen
Director

EC: Patrick Heath, Department of Administrative Services
George Naughton, Department of Administrative Services
Tom MacDonald, Legislative Fiscal Office
Laurie Byerly, Legislative Fiscal Office