Illinois Health and Hospital Association

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ILLINOIS HEALTH AND HOSPITAL ASSOCIATION
M E M O R A N D U M

TO: Chief Financial Officers, Member Hospitals and Health Systems
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FROM: Cassie Yarbrough, Director, Medicare Policy
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SUBJECT: HHS Releases Methodology for High Impact and Rural Payments

On May 8, the U.S. Department of Health and Human Services (HHS) published their methodology for determining high impact and rural hospital and provider payments from the Provider Relief Fund.

High Impact Payments: The Provider Relief Fund includes $12 billion for HHS to distribute to hospital that have experienced a high number of COVID-19 cases. HHS used hospital-submitted data to identify facilities with 100 or more COVID-19 inpatient admissions as of April 10, 33 of which were in Illinois. HHS then divided $10 billion of the $12 billion by the total number of COVID-19 inpatient admissions experienced by these high impact facilities (129,911), providing each of these high impact facilities $76,975 per COVID-19 inpatient admission. The remaining $2 billion was distributed to high impact facilities in proportion to each facility's share of Medicare Disproportionate Share funding.

HHS notes that these payments are not meant to reimburse hospitals for COVID-19 patients. Rather, COVID-19 inpatient admissions were used as a proxy for the extent to which each facility experienced lost revenue and increased expenses associated with directly treating a substantial number of COVID-19 inpatient admissions.

Rural Hospital and Provider Payments: The Provider Relief Fund includes $10 billion for rural hospitals, health clinics, and health centers. HHS distributed this $10 billion using the following methodology:

Rural acute care hospitals and Critical Access Hospitals (CAHs): payments were based on a graduated base amount plus an additional amount to account for a portion of their usual operating costs and the volume of care they regularly provide based on each hospital's most recent, publicly available Medicare cost report. Specifically, each hospital received a graduated

base payment plus 1.97% of the hospital's operating expenses. The graduated base payment is calculated as:

- 50% of the first $2 million of expenses (payment of up to $1,000,000);
- 40% of the next $2 million of expenses (payment of up to $800,000);
- 30% of the next $2 million of expenses (payment of up to $600,000);
- 20% of the next $2 million of expenses (payment of up to $400,000); and
- 10% of the next $2 million of expenses (payment of up to $200,000).

Rural hospitals with no operating expense data receive a base payment of $1,000,000, and rural hospitals with annual operating expenses greater than $10,000,000 receive a base payment of $3,000,000. The total calculated amount was then multiplied by 1.03253231 to determine the actual payment per rural provider.

Provider-Based Rural Health Clinics (RHCs): RHCs connected with rural hospitals have their allocations included with their hospital's allocation, and the hospital is responsible for allocating dollars to support its RHC services. The total calculated amount for RHCs was then multiplied by 1.03253231 to determine the actual payment per rural provider.

Independent RHCs: A base amount plus a percentage of total operating costs were calculated for independent RHCs not associated with a hospital using RHC Cost Report data. Each RHC received $100,000 per clinic site plus 3.6% of the RHC's operating expenses. The total calculated amount for RHCs was then multiplied by 1.03253231 to determine the actual payment per rural provider.

Community Health Centers in rural areas: Health centers in rural areas received a flat payment amount per health center site of $100,000. Each federally qualified health center (FQHC) organization received $100,000 for each individual rural clinic site it operates. The total calculated amount for health centers was then multiplied by 1.03253231 to determine the actual payment per rural provider.

For more information, including payment eligibility criteria, see HHS' website. HHS also published the amount of high impact payments, by hospital, on the Centers for Disease Control and Prevention website.

If you have questions or comments, please contact IHA.