

# CARES Act Distributions for Medicaid Providers

9.30.2020

# Overview

- CARES payments are intended to provide support to Medicaid providers as the Coronavirus Disease (COVID-19) Public Health Emergency continues to unfold.
- Funding may be used to offset COVID-19 related costs from March 1 through December 30, 2020, such as hazard pay for direct care workers, personal protective equipment purchases, and other previously unbudgeted expenditures.
- Funds will be prioritized for Medicaid serving providers and to fill gaps not addressed by other resources.
- Per the General Assembly appropriation, at least 30% of the funds will be allocated to high impact areas of the state

# Overview

- HFS immediately began preparing for the unprecedented distribution of CARES payments as fairly and efficiently as possible, taking care to develop appropriate funding methodologies for different provider types in full compliance with federal regulations governing the use of CARES payments.
- HFS procured a contract with Ernst & Young (EY) to aid in this effort and followed best practices to develop a methodology for distributing CARES payments based on targeted needs and as appropriated by the Illinois General Assembly.
- HFS will make final funding and policy decisions based on federal and state laws, regulations, and guidance.

# Federal Requirements

- CARES Act funding must be used to cover COVID-19 pandemic related health care expenses that were not part of the provider's annual budget established before March 1, 2020.
- Providers must have experienced economic hardship in the form of increased health care expenses, expenditures to respond to the COVID-19 pandemic and/or decreased utilization and revenues as a direct result of the COVID-19 pandemic.
- An agreement between the Department and the Subgrantee must be signed and any funds awarded through this process must be utilized on specific CARES qualifying expenditures prior to December 31, 2020.

# Application Process

- Medicaid healthcare providers enrolled with HFS can apply for financial assistance by submitting an online application through the HFS CARES Portal.
- To be eligible, providers must be enrolled in the IMPACT system prior to March 1, 2020 and have been paid for a minimum threshold of Medicaid services.
- Eligible providers receive a funding award based on a formula that is determined by provider type, location, amount of other Coronavirus relief funds received from other sources, and other criteria.
- The HFS CARES Portal will be open until October 31, 2020.

# Summary of Round 1

- The week of September 14th HFS released the first round of CARES payments to providers.
- The total released in round one was \$147.4 million; \$61.2 million of which is directed specifically to Medicaid providers in disproportionately affected areas.
  - FQHC's received \$49.9 million
  - Long Term Care Providers received \$74.0 million
  - Safety-net Hospitals received \$23.5 million

# Long Term Care Facilities

- Formulaic Round 1 distributions to SNFs, ICFs, SMHRFs and SLCs approximate three months (90 days) of enhanced labor costs, or “hazard pay,” related to the pandemic. Key elements in the formula include:
  - hazard pay is calculated specifically for each type of facility @ the estimated cost of enhanced pay per hour @ pre-Covid statewide average staffing levels (per resident)
  - facilities receive hazard pay for their average Medicaid census during COVID’s Wave 1
  - amounts increase with the level of hazard, i.e., as measured by Wave 1 community rates of COVID infection in each facility’s zip code (grouped into 4 equally-populated “quartiles”)
  - SNF payments are adjusted for facility staffing v. STRIVE targets
  - Round 1 payments total approximately \$80 million, or less than ¼ of available CARES funding

# Considerations

- Factors considered in the design of ROUND 1 CARES funding for long term care facilities
  - Current understanding of circumstances, actions, and facility characteristics contributing to higher or lower rates of infection and treatment of COVID-19 in long term care facilities
  - Financial impact of COVID on nursing homes
  - Alternative sources of funding for facilities' COVID-related expenses
  - Facility performance v. state and federal quality and performance standards
  - Potential for further data collection, improved understanding and alternative uses of funding in subsequent rounds



# LTC Approach for Round 1

Calculate target funding = 3 months' hazard pay  
increased for communities at elevated levels of COVID infection



Adjust (if necessary) for statutory constraints based on provider  
type, disproportionately impacted areas and other federal funding



Adjust payments to SNFs for pre-COVID staffing levels

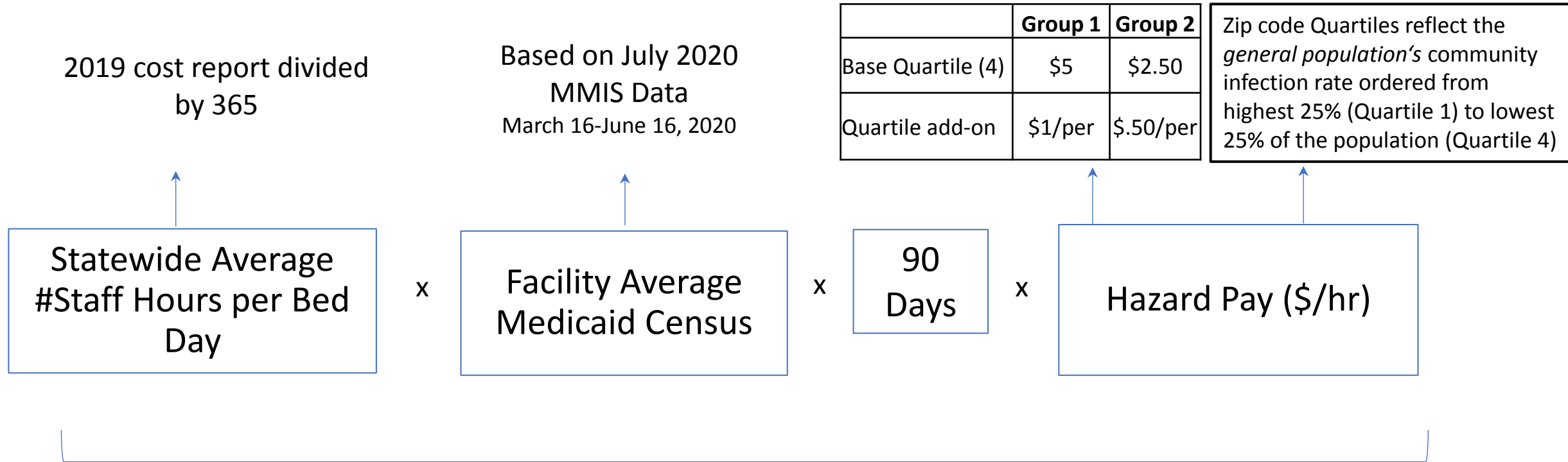


Withhold payments to SNFs not submitting 4<sup>th</sup> Quarter 2019 PBJ

# Formula for Hazard Pay (target amounts)

$$\begin{array}{ccccccc} \boxed{\begin{array}{c} \text{Statewide Average} \\ \text{\#Staff Hours per Bed} \\ \text{Day} \end{array}} & \times & \boxed{\begin{array}{c} \text{Facility Medicaid} \\ \text{Census} \end{array}} & \times & \boxed{\begin{array}{c} 90 \\ \text{Days} \end{array}} & \times & \boxed{\begin{array}{c} \text{Hazard Pay (\$/hr)} \end{array}} \end{array}$$

# Formula for Hazard Pay (or “target amounts” for SNFs)



Calculated separately for...

- Group 1: Nurses
- Group 2: Non-nurse, non-administrator staff with direct contact (e.g. aides, housekeepers, therapists)

Total Hazard Pay = Group 1 + Group 2

# Staffing Adjustment to Target Amounts for SNFs

**% Adjustment to Hazard Pay Target Amounts for SNFs**

=

For (the portion of) a staffing surplus or shortfall of at least this %...  
 ...and up to this %...  
 ... this proportional adjustment is made

Staffing surplus (or deficit) lower bound*	Staffing surplus (or deficit) upper bound*	Proportional Adjustment in this Range (negative implies a decrease)
5%	n/a	75%
0%	5%	0%
0%	-5%	0%
-5%	-10%	-50%
-10%	-15%	-75%
-15%	-100%	-100%

Example for a SNF at 82% of staffing target (yielding a -9.3% adjustment to total hazard pay)

Percentage points counting toward this range	Proportional Adjustment in this Range
0%	0%
0%	0%
-5%	0%
-5%	-2.5%
-5%	-3.8%
-3%	-3.0%

Example for a SNF at 118% of staffing target (yielding a +9.8% adjustment to total hazard pay)

Percentage points counting toward this range	Proportional Adjustment in this Range
13%	9.8%
5%	0%
0%	0%
0%	0%
0%	0%
0%	0%

Sum Total      -18%      **-9.3%**

Sum Total      18%      **9.8%**

\*Staffing surpluses and deficits are calculated as the percentage difference between observed and target staffing. The target level is the case-mix-adjusted STRIVE staffing level for that facility in 4Q 2019 (using PBJ staffing counts and resident RUGS categories from the MDS).

# Formula for other Safety Net Hospitals

Reviewed federal funding to date to SN hospitals



Hospitals that received more than \$10M federal money were allocated \$500,000



Hospitals that received \$1M-\$10M, were allocated \$1M



Hospitals that received less than \$1M were allocated \$2M

# Formula for FQHCs

HFS calculated total aggregate Medicaid revenue of all FQHCs in 2019



Each FQHCs percentage of that aggregate revenue was calculated



\$50 million was allotted to round 1



Each FQHC received a proportional share