CARES Act Distributions for Medicaid Providers
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.
• 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.
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
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
  o 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
  o Financial impact of COVID on nursing homes
  o Alternative sources of funding for facilities’ COVID-related expenses
  o Facility performance v. state and federal quality and performance standards
  o 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 4th Quarter 2019 PBJ
Formula for Hazard Pay (target amounts)

\[
\text{Hazard Pay ($/hr)} = (\text{Statewide Average #Staff Hours per Bed Day}) \times (\text{Facility Medicaid Census}) \times 90 \text{ Days} 
\]
Formula for Hazard Pay (or “target amounts” for SNFs)

- 2019 cost report divided by 365
- Based on July 2020 MMIS Data, March 16-June 16, 2020
- Facility Average Medicaid Census
- Calculated separately for:
  - Group 1: Nurses
  - Group 2: Non-nurse, non-administrator staff with direct contact (e.g. aides, housekeepers, therapists)

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Group 1</th>
<th>Group 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Quartile (4)</td>
<td>$5</td>
<td>$2.50</td>
</tr>
<tr>
<td>Quartile add-on</td>
<td>$1/per</td>
<td>$.50/per</td>
</tr>
</tbody>
</table>

Hazard Pay ($/hr) = Facility Average Medicaid Census \times 90 \text{ Days} \times \text{Statewide Average Staff Hours per Bed Day} \times \text{Zip code Quartiles reflect the general population's community infection rate ordered from highest 25% (Quartile 1) to lowest 25% of the population (Quartile 4)}

Total Hazard Pay = Group 1 + Group 2
Staffing Adjustment to Target Amounts for SNFs

For (the portion of) a staffing surplus or shortfall of at least this %...

Staffing surplus (or deficit) lower bound*
- 5%
- 0%
- -5%
- -10%
- -15%

Staffing surplus (or deficit) upper bound*
- n/a
- 5%
- -5%
- -10%
- -15%

Proportional Adjustment in this Range (negative implies a decrease)
- 75%
- 0%
- 0%
- -50%
- -75%

Percentage points counting toward this range
- 0%
- 0%
- 0%
- 0%
- 0%

Proportional Adjustment in this Range
- 0%
- 0%
- 0%
- -2.5%
- -3.8%

Percentage points counting toward this range
- 13%
- 5%
- 0%
- 0%
- 0%

Proportiona l Adjustment in this Range
- 9.8%
- 0%
- 0%
- 0%
- 0%

Sum Total
- -18%
- -9.3%

*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).
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