



# AFSCME Facts

## **Health Care Provider Relief In the American Rescue Plan March 26, 2021**

The American Rescue Plan Act of 2021, signed by President Biden on March 11, 2021, provides new targeted relief and funding for health care providers. This fact sheet describes the new law's provider-related provisions.

### **What are the key changes in the American Rescue Plan that directly help health care provider finances?**

The new law contains a few kinds of targeted relief, including:

- \$8.5 billion for rural health care providers.
- An increase in Medicare's hospital reimbursement rates for in-patient services in Delaware, New Jersey and Rhode Island.
- \$3.64 billion for mental health and substance abuse disorder treatment providers and related services.
- \$330 million for graduate medical education.

### **Which rural health care providers are eligible for this additional \$8.5 billion in funding?**

Only eligible rural Medicare and Medicaid providers (hospitals, clinics, home health, hospice and long-term care services and supports) can receive this funding provided through the American Rescue Plan.

The law's definition of a rural health care provider is broad and includes those that are any of the following:

- Located outside a metropolitan statistical area (MSA).
- Located in a rural census tract of an MSA.
- Located in an area designated by the state as rural.
- A sole community hospital or rural referral center.
- Located in an area that serves rural patients, such as a small MSA.
- Are a rural health clinic.
- Otherwise qualify as a rural provider as defined by the U.S Department of Health and Human Services (HHS).

**Is rural provider relief part of the Provider Relief Fund (PRF) previously funded in the CARES Act and the Consolidated Appropriations Act (CAA)?**

No. This funding for rural health care providers is separate from the PRF. The American Rescue Plan does not provide any additional money for that fund.

**What are the differences between this fund for rural health care providers and the PRF?**

The process for applying for payments is different under the American Rescue Plan. Rural health care providers are required to justify the need for funding when applying for payments, including documenting healthcare-related expenses and lost revenues attributable to COVID-19.

**How can rural provider payments be used?**

Similar to the PRF, payments can be used by rural health care providers to cover healthcare-related expenses and lost revenue attributable to the coronavirus.

- Examples of covered healthcare-related expenses include those for supplies, equipment, information technology, facilities and employees.
- Examples of lost revenue attributable to the coronavirus include fewer outpatient visits, canceled elective procedures or services and increased uncompensated care.

**Are there any other targeted sources of aid for rural health care providers?**

The American Rescue Plan includes \$500 million available through FY 2023 for the U.S. Department of Agriculture's Community Facilities Programs, which support essential public services and facilities in rural communities. Under a new COVID response pilot program, public bodies, non-profit organizations and federally recognized American Indian Tribes will be eligible for grants. This funding can be used to increase capacity for vaccine distribution; provide medical supplies to increase medical surge capacity; reimburse for revenue lost during the pandemic, including revenue losses incurred prior to the awarding of the grant; increase telehealth capabilities, including underlying health care information systems; construct temporary or permanent structures to provide health care services, including vaccine administration or testing; support staffing needs for vaccine administration or testing; and engage in other efforts to support rural development determined to be critical to address the pandemic, including nutrition assistance for vulnerable individuals.

**What are the Medicare payment changes that affect hospitals in Delaware, New Jersey and Rhode Island?**

The American Rescue Plan changes how wages are factored into the determination of Medicare's payment rates for hospitals in three states: Delaware, New Jersey and Rhode Island. This will increase Medicare payments to affected hospitals.

In particular, the new law establishes a minimum wage index for hospitals in all-urban states (a state in which there are no rural areas or where there are no hospitals classified as rural) for

purposes of Medicare in-patient hospital payments, beginning Oct. 1, 2021. Only the three states mentioned above currently qualify as all-urban states. Wage indices are used by the Centers for Medicare and Medicaid Services (CMS) to adjust Medicare standard payments to hospitals to reflect the prices hospitals face in their local labor markets. The wage index for hospitals in an all-urban state now will not be less than the minimum area wage index for the fiscal year for hospitals in that same state. This will increase all-urban state hospital Medicare payments for in-patient services.

**What kinds of funding are provided for mental health and substance use disorder treatment providers?**

The American Rescue Plan includes \$1.5 billion for the Community Mental Health Services Block Grant, \$1.5 billion for the Substance Abuse Prevention and Treatment Block Grant and \$420 million for Certified Community Behavioral Health Clinics. Additional information about this and related funding is provided in AFSCME's [Mental Health and Substance Abuse Services Funding In the American Rescue Plan](#) fact sheet.

**How do hospitals benefit from the additional \$330 million for graduate medical education?**

The American Rescue Plan provides an additional \$330 million in funding for teaching hospitals that operate graduate medical education programs. This funding, which is available through FY 2023, can be used to establish new residency training programs, maintain filled positions at existing residency training programs, expand existing residency programs, establish new accredited or expanded primary care residency programs, increase by \$10,000 the per resident amount programs receive and cover administrative costs.

**Does the new law include relief for all providers like in previous COVID laws?**

No. Prior laws included a total of \$178 billion in relief that was available broadly through the PRF. Information about the PRF can be found in AFSCME's fact sheet about the relief law enacted in December of 2020, [Provider Relief Fund and Relief for Medicare Providers](#).

**Does the new law delay expected cuts to Medicare providers?**

No. Unless Congress acts separately to delay or repeal the scheduled 2% cut in Medicare's reimbursements to providers (known as the Medicare sequester), it will go into effect on April 1, 2021. The Consolidated Appropriations Act enacted on Dec. 27, 2020 had delayed that cut by three months. Congress currently is considering legislation to address this.

**How could the new law's health insurance provisions affect providers?**

The American Rescue Plan includes several provisions that will significantly increase the number of people who are covered by Medicaid and health insurance. This generally will strengthen health care provider finances by reducing the amount of uncompensated care they provide. The new law provides significant incentives for the 12 states that have not yet expanded Medicaid under the ACA to do so. States that do this will have a meaningful, long-term impact on hospitals and other

providers that serve low-income populations. Other temporary changes, such as 100% federal payment of COBRA premiums and the expansion of ACA premium subsidies, will have short-term impacts on health coverage and provider finances.