

**FMVantage Point™**

HealthCare Appraisers' Industry Insight

WHAT THE NEW STIMULUS BILL MEANS FOR FUNDING OF HEALTHCARE PROVIDERS

LUIS ARGUESO AND PARKER PRESTEGARD

On March 27th, 2020, President Trump signed into law H.R. 748 (2020), the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), a \$2 trillion emergency relief bill that, among other things, will provide substantial financial support to the healthcare system to combat the disease associated with the novel coronavirus ("COVID-19"). For hospitals, the financial support may mitigate expected losses due to the suspension of elective surgeries and the increased costs associated with the flood of COVID-19 patients requiring expensive critical care. Below we have summarized several of the key components of the CARES Act that will affect hospitals and health systems across the nation.

- Diagnosis-related group ("DRG") weighting factors are increased by 20% for patients discharged with a COVID-19 diagnosis. Therefore, hospitals and health systems will receive 20% higher reimbursement than normal for patients who have COVID-19, which may help to mitigate the high cost associated with treating these patients, as well as offset anticipated losses from canceled elective services.
- The current work geographic practice cost index ("GPCI") floor of 1 for the Medicare Physician Fee Schedule is extended through December 1, 2020. By ensuring the "Work GPCI" component of that formula remains 1 or greater, practitioners in markets that had been assigned a GPCI of <1 will receive higher reimbursement from Medicare.
- The sequester of Medicare funds, which reduced spending for most Medicare benefits by 2% per year starting in 2013, is suspended from May 1, 2020 until December 31, 2020. The temporary suspension of the sequester should allow hospitals and health systems to realize 2% greater Medicare reimbursement than they otherwise would have received in this time period.
- Significant funds have been made available to fund healthcare entities and programs, including: community health centers, rural healthcare facilities, telehealth entities, training of the healthcare workforce (including nurses and geriatric specialists), and grants for COVID-19 prevention and treatment.
- Federally Qualified Health Centers ("FQHCs") and rural health clinics will be reimbursed for telemedicine services regardless of patient location at payment rates consistent with the Medical Physician Fee Schedule ("MPFS"). Additionally, Secretary of Health and Human Services Alex Azar will consider ways to encourage the use of telecommunication technology for home healthcare during the COVID-19 national emergency. Finally, telemedicine can be used in place of a face-to-face encounter for recertification of eligibility for hospice care during the COVID-19 national



AUTOMATED FMV SOLUTIONS™ | BUSINESS VALUATION | COMPENSATION VALUATION
REAL ESTATE VALUATION | CAPITAL ASSETS VALUATION | EXECUTIVE COMPENSATION & GOVERNANCE

emergency. See our article entitled [“Telemedicine Adoption to Combat Novel Coronavirus and Fair Market Value”](#) for additional information regarding telemedicine’s role in the COVID-19 emergency.

Given the circumstances, it is likely that the CARES Act in tandem with the COVID-19 emergency will result in the creation of new arrangements and modification of existing arrangements. HealthCare Appraisers stands ready to assist clients with any valuation needs during this trying time.

