January 14, 2021

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION**

**M E M O R A N D U M**

SUBJECT: **Federal Law Includes Numerous Rural Hospital Priorities**

The *Consolidated Appropriations Act* (CAA) (H.R. 133) was enacted on December 28, and includes numerous provisions important to small and rural hospitals. This memo provides additional detail for IHA small and rural hospital members. An IHA memo with general information is here.

IHA worked closely with the Illinois Congressional delegation and the American Hospital Association to help shape this legislation, and we are pleased it contains policies that are critical for rural hospitals and communities, including:

**Financial Relief**

- Eliminates 2% Medicare sequester cuts through March 2021;
- Adds $3 billion to the Provider Relief Fund (PRF); and
- Provides flexibility for use of PRF payments:
    - Providers may determine lost revenues using the June 2020 U.S. Department of Health and Human Services (HHS) FAQs, which allow for a calculation based on budgeted to actual revenue for budgets approved by March 27, 2020;
    - Allows the transfer of PRF distributions, including the targeted rural distribution, within a health system;
    - Directs the HHS Secretary to allocate payments for at least 85% of the remaining PRF (including funds recovered from providers) using an application process that considers financial losses and changes in operating expenses in the third and fourth quarters of 2020.

**Workforce**

- Lifts the cap on Medicare-funded residency slots by adding 1,000 positions. Two hundred new residency slots will be available annually beginning fiscal year (FY) 2023, and of these 200 slots, at least 10% must be allocated to each of the following hospital categories: hospitals located in a rural area, hospitals with residency positions that already exceed their cap, hospitals that serve Health Professional Shortage Areas and hospitals in states with new medical schools;
- Amends the Medicare graduate medical education (GME) Rural Training Tracks (RTT) program to provide greater flexibility for rural and urban hospitals that participate in RTT programs;

- Eliminates the Centers for Medicare & Medicaid Services' (CMS) penalty on certain community hospitals whose per resident amounts and caps were inadvertently established by small numbers of resident rotators. These hospitals are allowed to establish new residency programs without limits on the number of slots;
- Authorizes (until Sept 2021) the Conrad State 30 Waiver program for physicians serving in underserved areas;
- Allows Medicare to directly reimburse physician assistants for services furnished to beneficiaries beginning January 2022;
- Extends the Geographic Practice Cost Indices work floor for Medicare payments to physicians through December 2023;
- Provides approximately $3 billion in increased payments for physician services under the Medicare Physician Fee Schedule (PFS) for 2021. This provision reduces the impact of a budget neutrality adjustment in the calendar year (CY) 2021 PFS Final Rule that resulted in a 10.2% reduction to the conversion factor;
- Provides a three-year moratorium on payment for the add-on code (G2211); and
- Extends funding through fiscal year 2023 for the National Health Service Corps and teaching health centers programs.

**COVID-19 Vaccines, Therapeutics, Testing/Tracing**

- Provides $30 billion for the federal government to assist with the purchase and administration of vaccines and treatments, including $8 billion to the Centers for Disease Control and Prevention (CDC) to plan, prepare for, administer, monitor and track vaccinations and ensure widespread distribution and access. Of the $8 billion for the CDC, $300 million must be targeted to high-risk and underserved populations, including rural communities; and
- Provides $22 billion in grants to states and localities for testing, tracing and surveillance with $2.5 billion specifically directed to assist these efforts for underserved populations, including rural communities.

**Access to Healthcare Services**

- Creates the Rural Emergency Hospital (REH) designation under the Medicare program, allowing critical access hospitals (CAH) or rural hospitals with fewer than 50 beds to maintain access to emergency and outpatient services while ceasing to provide inpatient care. REHs are reimbursed under Medicare prospective payment systems plus an additional monthly facility payment and a 5% add-on payment for hospital outpatient services. REHs may furnish additional medical services needed in their community, including observation care, ambulance services and skilled nursing services. REHs are deemed as originating sites for purposes of providing telehealth services;
- Provides $3 million for an IHA-supported CDC social determinants pilot grant program and the creation of the Social Determinants Interagency Council at HHS;

- Effective January 2022, allows rural health clinics (RHCs) and federally qualified health centers (FQHCs) to provide and bill for attending physician services when RHC and FQHC patients are terminally ill and elect hospice; and
- Establishes a comprehensive RHC payment reform plan by phasing in an increase in the RHC statutory cap over an eight-year period, subjecting all RHCs to a uniform per-visit cap and controlling the annual rate of growth for uncapped RHCs whose payments are above the upper limit. The phase-in begins April 1, 2021, and increases annually the upper limit through 2028. RHCs with an all-inclusive rate above the upper limit will continue to experience annual growth, however the payment amount will be constrained to the prior year reimbursement rate plus Medicare Economic Index.

**Broadband and Telehealth**

- Expands access to mental health services furnished to Medicare beneficiaries through telehealth by waiving the geographic and originating site requirements for these services. In order to be eligible to receive these services via telehealth, the beneficiary must have at least one in-person visit during the six-month period prior to the first telehealth service. Additional face-to-face requirements may be determined by the Secretary of HHS;
- Appropriates $730 million to support rural broadband, including $635 million for the ReConnect program (an increase of $80 million over FY 2020);
- Provides $250 million to the Federal Communications Commission (FCC) COVID-19 Telehealth Program, which provides grants up to $1 million to assist healthcare providers with connected care services to patients at their homes or mobile locations in response to the pandemic. The grant program was established in the CARES Act and is intended to provide immediate support to eligible providers by fully funding telecommunications services, information services and devices necessary to provide critical connected care services; and
- Provides grants to support broadband connectivity, including $300 million to support infrastructure deployment to areas lacking broadband, especially rural areas. The grants are issued to qualifying partnerships between state and local governments and fixed broadband providers.