

Medicare Loan Conversion Legislation

(Now under development in Congress; Introduction expected soon)

Overview

Hospitals, health systems and other providers continue to struggle to meet the health care needs of the communities they serve as Covid-19 continues to rage across the United States. Legislation is under development in Congress designed to provide more resources to thousands of providers without appropriating additional funds.

Hospital, health systems and other providers received just over \$100 billion in Medicare Accelerated and Advanced Payment loans during 2020 to help them fight Covid. Congress moved these loans from the Medicare Trust Fund to the General Fund in previously passed legislation.

Most providers have resisted using these loans because of their concerns about being able to pay them back. Congress changed the terms of these loans, giving providers more time to pay them back and lowering the interest rate. However, given that the pandemic has not abated, providers remain very concerned about their ability to pay back the loans, even under more favorable terms.

This legislation is designed to:

- Allow health care providers to use their loan funds as grants – not requiring repayment – as long as the funds are used for Covid losses and expenses not otherwise paid for by any other government program, just like the funds in the Provider Relief Fund (PRF).
- Provide full accountability and transparency of the use of the funds by mandating the same requirements and terms for these funds as those given through the Provider Relief Fund.
- Requiring repayment to the federal government of all funds NOT used for Covid expenses and losses.

Converting these loans to grants will likely give providers the resources they need to meet Covid challenges through 2021.

The \$178 billion Congress appropriated for all providers through the Provider Relief Fund falls short of the \$300 billion in losses and expenses hospitals alone incurred during 2020. And those losses and expenses are continuing into 2021. Hospitals that do not have losses or Covid expenses beyond what they have received through the PRF will be required to return these loan-to-grant funds to the Treasury.

Hospitals and other providers that did not receive Medicare loans in 2020 could be given funding remaining in the PRF (there is approximately \$38 billion remaining) as necessary and by application.

These loan-to-grant funds cannot be used for compensation or benefits of officers or senior executives of the benefitting organization as required in the CARES Act. At least 60 percent of the funds must be used for employee compensation (other than for executives as described in the CARES Act) from January 1, 2020 and December 31, 2021.

This legislation is an updated version of HR 7292, which was introduced June 22, 2020 and had 85 bipartisan cosponsors.