

September 10, 2021

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION  
M E M O R A N D U M**

**SUBJECT: Update on PRF and Rural ARP Funds**

The U.S. Department of Health and Human Services [announced](#) several updates related to the Provider Relief Fund (PRF) and American Rescue Plan (ARP) resources. Beginning Sept. 29, healthcare providers will be able to apply for \$25.5 billion in relief funds, including \$17 billion in PRF Phase 4 payments and \$8.5 billion in ARP resources for providers who serve rural patients. HHS also released new information on the Phase 1 reporting deadline and Phase 3 PRF payments, as well as updated terms and conditions for Phase 4 PRF payments. Additional details, including links to relevant federal websites, are below.

**Phase 4 PRF and Rural ARP Distributions**

On Sept. 29, 2021, health care providers may apply for [Phase 4 PRF and rural ARP distributions](#), as applicable. There will be a single application used for both distributions. IHA will alert the membership when the application becomes available.

*Phase 4 PRF Distribution*

HHS will distribute Phase 4 PRF payments as required by the Coronavirus Response and Relief Supplemental Appropriations Act of 2020. Phase 4 payments will be based on lost revenues and COVID-related expenditures between July 1, 2020 and March 31, 2021. HHS will make Phase 4 payments with an emphasis on equity, reimbursing smaller providers for their lost revenues and COVID-19 expenses at a higher rate compared to larger providers. Phase 4 PRF payments will include bonus payments based on the amount of services furnished to beneficiaries enrolled in Medicaid, the Children's Health Insurance Program (CHIP) and Medicare.

Specifically, 75% of Phase 4 payments will be based on reported lost revenue and COVID-related expenses. All applicants will receive a base or minimum payment based on a percentage of their lost revenues and COVID-related expenses, with no provider receiving a payment that exceeds 100% of their application amount. Small and medium providers will also receive a supplement based on HHS' rationale that small and medium providers tend to operate on thin margins and often serve vulnerable or isolated communities. HHS will finalize the methodology for determining base and supplemental payments after analyzing data from all received applications.

The remaining 25% of Phase 4 funds will be used for bonus payments based on the amount and type of services provided to Medicaid, CHIP and Medicare beneficiaries. HHS will price most Medicaid and CHIP claims data at Medicare rates, with exceptions made for services provided

predominantly in the Medicaid and CHIP programs. Providers who serve any patients living in [HHS Federal Office of Rural Health Policy](#)-defined rural areas with Medicaid, CHIP or Medicare coverage, and who otherwise meet the eligibility criteria, will receive a minimum payment.

#### *Rural ARP Distribution*

Rural providers who serve beneficiaries enrolled in Medicaid, CHIP and Medicare are eligible for rural ARP payments. HHS is using the [HHS Federal Office of Rural Health Policy](#) definition of “rural” to determine provider eligibility for these funds.

Payments will be based on the amount and type of Medicaid, CHIP and Medicare services provided to rural patients. Similar to Phase 4 PRF bonus payments, HHS will price most Medicaid and CHIP claims data at Medicare rates, with exceptions made for services provided predominantly in the Medicaid and CHIP programs. Providers who serve patients living in [HHS Federal Office of Rural Health Policy](#)-defined rural areas with Medicaid, CHIP or Medicare coverage, and who otherwise meet the eligibility criteria, will receive a minimum payment (amount to be determined).

#### *Updated Terms and Conditions*

PRF payments must be used for lost revenues or COVID-related expenses attributable to patient care. PRF recipients that merge with or acquire another health care provider during the payment use period must notify the HHS Secretary of their change in status. Providers who report a merger or acquisition are at increased risk of audit.

#### **More Information**

Please refer to the Health Resources & Services Administration (HRSA) [PRF](#) and [Future Payments](#) websites for more information on these distributions. IHA will alert the membership as additional details become available.

#### **Phase 1 PRF Reporting Deadline – 60 Day Grace Period**

HHS enacted a [60-day grace period](#) for Phase 1 PRF reporting. The deadline for Phase 1 reporting is still Sept. 30, 2021, and providers that do not meet this deadline will be considered out of compliance. However, HHS will not recoup or take other enforcement actions between Oct. 1 and Nov. 30, 2021.

There is no change in the period of availability for use of Phase 1 PRF payments. Providers that did not spend Phase 1 PRF payments (payments received from April 10, 2020 – June 30, 2020) by the June 30, 2021 deadline must return unused funds no later than Dec. 30, 2021 (30 days after the end of the grace period).

HHS strongly encourages providers to complete Phase 1 reports by Sept. 30, 2021 if possible. The PRF [reporting portal](#) is open, and several guides, FAQ documents, and webinar recordings covering all aspects of the reporting process are on HRSA’s [website](#).

The current reporting deadlines are as follows:

- Payments received between April 10 and June 30, 2020 must be spent by June 30, 2021. Reporting must be done between July 1 and Sept. 30, 2021. There is a 60-day grace period for reporting on use of these payments (Oct. 1 through Nov. 30, 2021).
- Payments received between July 1 and Dec. 31, 2020 must be spent by Dec. 31, 2021. Reporting must be done between Jan. 1, and March 31, 2022.
- Payments received between Jan. 1 and June 30, 2021 must be spent by June 30, 2022. Reporting must be done between July 1 and Sept. 30, 2022.
- Payments received between July 1 and Dec. 31, 2021 must be spent by Dec. 31, 2022. Reporting must be done between Jan. 1 and March 31, 2023.

### **Phase 3 PRF Payment Reconsiderations**

HHS released [guidance](#) on how it calculated Phase 3 PRF payments. Providers who believe their Phase 3 payment was calculated incorrectly will have the opportunity to request a reconsideration. Additional details on this reconsideration process are forthcoming.

Phase 3 calculations included the following steps:

- A. Calculating 2 percent of Annual Patient Care Revenue;
- B. Calculating initial Loss Ratio and Provider-Type Loss Ratios;
- C. Capping Loss Ratios and other pre-payment value adjustments;
- D. Calculating 88 percent of Adjusted Losses;
- E. Selecting the greater of calculated A or D;
- F. Deducting all prior PRF payments from result of E; and
- G. Flagging and conducting manual review of flagged potential payments.

HHS' full methodology is [here](#). IHA will alert the membership when HHS releases additional details on the reconsideration process.

### **Questions and Comments**

HRSA's PRF [website](#) has several resources, including an [FAQ document](#) (last updated Aug. 30, 2021), to assist providers with the PRF application and reporting processes. HHS also has a Provider Support Line, available Monday through Friday from 8 a.m. to 10 p.m. CDT, at 866-569-3522.

Please direct comments and questions [to IHA](#).