STATE OF NORTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

April 14, 2020

The Honorable Alex Azar
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington DC 20201

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington DC 20201

Re: Ensuring At-Risk Providers That Rely on Medicaid Promptly Receive An Appropriate Share of CARES ACT Provider Funding

Dear Secretary Azar and Administrator Verma:

Thank you for the ongoing work to respond to the effects of the 2019 Novel Coronavirus (2019-nCoV). North Carolina is currently working closely with CMS regarding several high priority outstanding requests for Medicaid flexibility under the 1115 and Disaster SPA processes, and I appreciate your team's partnership in those efforts. The purpose of this letter is to urge you to act quickly to dedicate a portion of the $100 billion CARES Act Provider Relief Fund to the essential providers that disproportionately serve Medicaid beneficiaries and the uninsured, as recently was done for Medicare providers. This step is needed to keep essential providers afloat until Congress, CMS and states can identify additional resources to sustain them through the pandemic.

Federal strategies to support and stabilize health care providers have, to date, relied heavily on Medicare to distribute federal payments, including using the Medicare program as the vehicle for distributing $30 billion from the Provider Relief Fund and determining the size of the payments received by each provider.[1] While this is an efficient and effective way to quickly disburse federal funds to providers serving Medicare beneficiaries, other strategies are needed to shore up those health providers more heavily reliant on Medicaid. These providers are essential to providing care to low-income beneficiaries and the uninsured.

[1] To date, $30b has been committed to Medicare Fee for Service providers through the COVID Provider Relief Fund, https://www.hhs.gov/provider-relief/index.html and $51B in advanced payments has been provided through the Medicare Accelerated Payment Program for Medicare Providers, https://www.cms.gov/newsroom/press-releases/cms-approves-approximately-34-billion-providers-acceleratedadvance-payment-program-medicare

While there is some overlap in providers and services under Medicare and Medicaid, mental health and substance use disorder providers, pediatricians, OBGYN providers, safety net and children's hospitals, and long-term care providers tend to rely much more heavily on Medicaid. Many of these providers are at risk of closing their doors due to sharply reduced utilization and often limited reserves with potentially catastrophic consequences for the beneficiaries that they serve. Even so, their needs have not yet been addressed by the financial support available through the Provider Relief Fund. This includes providers experiencing immediate increased clinical, administrative and financial burdens, such as long-term care facilities that must work to prevent outbreaks among some of our most vulnerable beneficiaries, pediatric providers who must continue to find ways to serve children and their families despite social distancing, and behavioral health providers whose patients are facing a higher mental health burden and greater risk of substance use disorders as a direct result of the pandemic even as they are facing sharp utilization declines and lost revenue that make it difficult to keep their doors open.

Since states administer Medicaid, CMS does not have direct billing data or relationships with many of these providers and for many, Medicaid, rather than Medicare, is the far more significant funder.
To address the needs of providers with a high proportion of Medicaid business, HHS should leverage states to address provider needs not addressed through other programs.

HHS should set aside a portion (at least 30% as was done for Medicare FFS providers) of the COVID Provider Relief Fund for essential Medicaid providers and enlist state Medicaid programs to quickly distribute the funds to the at-risk Medicaid providers in their states in a way that reflects specific needs in each state. The program could be set up as follows:

- Each state's portion of the fund for distribution to providers would be based on the relative size of its Medicaid-eligible and low-income uninsured populations.
- States, being most attuned to local needs, would direct payments to providers most at risk, distributing all of the funds in a timely manner. States would not retain any of the funds and would be responsible for attesting to the distribution of the funds consistent with HHS parameters.
- States would serve as a conduit for directing the payments, without requiring providers to go through an application process. Since these are not Medicaid funds, no state plan amendment or other Medicaid process would be needed, allowing states to match the efficiency of the federal government in distributing funds to Medicare fee-for-service providers. (CMS could, however, use the federal/state Medicaid payment system to distribute the funds to states.)

This proposal would bring immediate, short-term relief to providers who are at high risk of closure, jeopardizing states' disaster response as well as the long-term safety net for Medicaid and the uninsured. It is important to highlight, however, that such a step, while essential, is not a permanent fix but rather a bridge to a more sustained solution. It will prevent key providers from going under imminently. With the short reprieve that such a strategy buys, Congress can determine how best to provide additional funding to such providers and CMS and states can continue to identify additional flexibilities under Medicaid 1115 Waivers and Disaster SPA strategies to address the situation.

We appreciate your consideration of these recommendations and the ongoing partnership and willingness to work with states during this national emergency.

Sincerely,

Mandy K Cohen

Mandy K. Cohen, MD, MPH
Secretary