Insight

Additional Health Care Funding in the Paycheck Protection Program Increase Act

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Executive Summary

- The Paycheck Protection Program Increase Act of 2020 allocates $75 billion for hospitals and health care providers to be distributed through the Public Health and Social Services Emergency Fund, which the Coronavirus Aid, Relief, and Economic Security (CARES) Act established in March.
- The legislation does not change any of the existing statutory language around the dispersals of that funding, despite some concerns about the Department of Health and Human Services' methodology and timeline for distributing the first $100 billion that the CARES Act allocated.
- The legislation also includes $25 billion for the research, development, validation, manufacturing, purchase, and administration of COVID-19 testing.

Introduction

Late Tuesday, April 21, the Senate passed the Paycheck Protection Program Increase Act of 2020 by unanimous consent. The vote occurred after congressional Republicans and Democrats, as well as the White House, reached a deal earlier in the day to provide additional funding for the Paycheck Protection Program, established last month as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In addition to money for employers to keep up their payrolls, the Paycheck Protection Program Increase Act of 2020 also includes $75 billion for hospitals and health care providers along with $25 billion to expand testing. The House is expected to pass the funding package later this week

Hospital and Health Care Provider Funding

The CARES Act provided $100 billion for hospitals and health care providers to cover anticipated costs of responding to the coronavirus as well as lost revenue due to a drastic reduction in elective procedures. CARES tasked the Department of Health and Human Services (HHS) with dispersing the funds but provided no instructions or requirements for how it should do so.

The so-called Marshall Plan for hospitals, as it was billed at the time, has not been without controversy. It understandably took HHS some time to determine how to distribute the funding, and the decision to distribute the first $30 billion proportionally to providers across the country based on Medicare revenue resulted in notable blowback. While HHS argued the methodology provided the quickest route for distributing payments, it also meant that providers not facing large cases of coronavirus received a disproportionate share of the money. Lawmakers from states facing large outbreaks were incensed at the decision, and while HHS did change the formula for the remaining funds, it is somewhat surprising that Congress did not attempt to include more specific instructions for how HHS should distribute the funds. Ultimately the need to pass the funding bill

without bringing members back to Washington likely drove the decision to leave the language around the funding unchanged.

Expanded Testing

The deal also provides $25 billion in funding aimed at researching, developing, validating, manufacturing, purchasing, administering, and expanding capacity for COVID-19 testing. While Democrats were stymied in their demands for new, broad funding for states and localities to respond to the pandemic, the bill does direct $11 billion of this funding to states, localities, territories, and tribal governments. Those funds are further divided, with $2 billion going to states directly, based on the same formula used in CARES that created its own controversy (separate from the controversy above); $4.25 billion allocated to states, localities, and territories based on relative number of cases of COVID-19 (with this formula perhaps aimed at mitigating some of the controversy around allocation to states); and finally at least $750 million going to tribes, tribal organization, and urban Indian health organizations. States, localities, territories, and tribes will all be required to provide plans for how the resources will be used specifically for testing and spread mitigation.

The bill also distributes funds to the Centers for Disease Control and Prevention, for coronavirus surveillance activities ($1 billion); the National Institutes of Health, for testing development ($1.8 billion); the Biomedical Advanced Research and Development Authority, also for testing and diagnostics ($1 billion); the Food and Drug Administration, for activities related to testing and diagnostics ($22 million); Community Health Centers and rural health clinics ($825 million); and—sure to receive a lot of ink in press releases—up to $1 billion to cover the cost of testing the uninsured.

Conclusion

While Republicans have been pushing for a clean funding bump for the Paycheck Protection Program without any additional funding priorities, the legislation's $100 billion for health providers and expanded testing was substantially more limited than what Democrats were initially seeking. Additionally, while the mechanisms around distributing public health dollars under CARES have left some members of Congress and state leaders frustrated, it is not surprising that this agreement does not take a more active role dictating how the dollars will be distributed. The complicated reality of lawmaking through unanimous consent and voice votes leaves little wiggle room for changes. Further, it is unlikely this will be the last time Congress considers additional funding related to the health care response to the pandemic.