

# The Distribution of Medicare Accelerated and Advance Payment Program Loans Among California Health Systems\*

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPHEA) provided direct and indirect financial aid to hospitals and health care providers, including accelerated and advanced Medicare payments, Medicare payment increases for COVID-19 patients, deferral of employer Social Security contributions, and \$175 billion in relief funds in the form of direct grants to hospitals and other health care providers to help alleviate the shortfall in revenues caused by the pandemic, which we analyzed in our previous report (Scheffler et al., 2020).

This report focuses on the loans allocated through the Medicare Accelerated and Advance Payment Program (MAAPP). The MAAPP is designed to prevent cash flow shortfalls when claims processing may be disrupted, such as during the current COVID-19 pandemic, by providing emergency funds to impacted entities (Centers for Medicare and Medicaid Services [CMS], 2020a). The program was expanded to a broader group of Medicare Part A and B providers and suppliers for the duration of the current public health emergency under the CARES Act (CMS, 2020a). The total amount of accelerated and advanced payments allocated in the form of loans was just over \$100 billion, of which, \$78 billion went to short-stay hospitals (CMS, 2020b). Of the \$100 billion total, just under \$9 billion went to California providers and suppliers (CMS, 2020b).

The program allowed inpatient acute care hospitals, children's hospitals, and certain cancer hospitals to request loans of up to 100% of their Medicare reimbursement received over a six-month period, whereas critical access hospitals could request up to 125% of their Medicare reimbursement received over a six-month period. All other providers and suppliers were able to request a loan of up to 100% of their Medicare reimbursement received over a three-month period (CMS, 2020a). Inpatient acute care hospitals, children's hospitals, certain cancer

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hospitals and critical access hospitals have up to a year to repay the balance while all other providers and suppliers have 210 days (CMS, 2020a). The repayment period begins 120 days after the loan issuance date (CMS, 2020a). On April 26, 2020, CMS announced that it was suspending the program to Part B providers (CMS, 2020c). Additionally, CMS stated it would not be accepting any new applications for the program and that it would be reevaluating all pending and new applications for loans in light of historical direct payments made available through Health and Human Services' Provider Relief Fund (CMS, 2020c).

Table 1 presents the adjusted loan amounts received through MAAPP by the 12 largest health systems in California (in terms of number of hospitals). We report the loans made to a health system parent and its subsidiaries, as reported by COVID Stimulus Watch (COVID Stimulus Watch, 2020). The adjusted loan amount equaled the total loan multiplied by the percentage of a system's hospital beds that were located in California, because it was not possible to determine the amounts allocated to certain geographical areas when loans were made to the parent of the system.<sup>4</sup> The loans totalled \$3.9 billion, ranging from \$0 for three systems to the largest amounts for Dignity Health (\$858 million), Regents of the University of California, including its medical centers (\$878 million), and Sutter Health (\$962 million).

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<sup>4</sup> However, for Kaiser Permanente, its Maui Health System received a loan of \$24,086,634, but this loan was excluded because this entity is clearly not in California. The health systems in which an adjustment occurred included Dignity Health, Sutter Health, and Tenet Healthcare Corporation, and the percentages of beds in California were 78.7%, 98.1%, and 17.6%, respectively. The adjusted loan amount may not equal the total loan amount multiplied by the percentage of beds in California due to rounding.

Table 1. Adjusted Loan Amounts from the Medicare Accelerated and Advance Payments to the Largest Health Systems in California

| <b>Health system (# of hospitals)</b>                    | <b>Adjusted Loan Amount</b> |
|--|-----------------------------|
| Kaiser Permanente (32)                                   | \$0                         |
| Dignity Health <sup>5</sup> (25)                         | \$858,077,129               |
| Sutter Health (25)                                       | \$961,525,531               |
| Adventist Health (14)                                    | \$59,903,941                |
| Tenet Healthcare Corporation (12)                        | \$141,090,970               |
| Kindred Healthcare, Inc. (10)                            | \$124,925,600               |
| Universal Health Services, Inc. <sup>6</sup> (10)        | \$206,092,898               |
| Regents of the University of California <sup>7</sup> (8) | \$878,173,135               |
| State of California (8)                                  | \$0                         |
| Prime Healthcare Services, Inc. (7)                      | \$423,232,800               |
| Sharp Healthcare Corporation (6)                         | \$0                         |
| St. Joseph Health System <sup>8</sup> (6)                | \$280,088,756               |

Source: [COVID Stimulus Watch](#), Good Jobs First (as of July 16, 2020, 10:25am EDT, accessed July 22, 2020); American Hospital Association (AHA) Annual Survey Database (percentage of beds located in California)  
 Notes: We report the loans made to a health system parent and its subsidiaries, as reported by COVID Stimulus Watch. The adjusted loan amount equaled the total loan multiplied by the percentage of a system's hospital beds that were located in California, because it was not possible to determine the amounts allocated to certain geographical areas when loans were made to the parent of the system. However, for Kaiser Permanente, its Maui Health System received a loan of \$24,086,634, but this loan was excluded because this entity is clearly not in California.

<sup>5</sup> The total loan amount for Dignity Health was calculated by summing the loan amounts received by entities listed under the CommonSpirit Health parent by COVID Stimulus Watch that were also listed as Dignity Health (including affiliates) or Dignity Community Care (including affiliates) on this Dignity Health website: <https://www.dignityhealth.org/about-us/our-organization/ohca-list>, accessed July 22, 2020.

<sup>6</sup> COVID Stimulus Watch reported that Universal Health Services, Inc. also received \$1,500,000 distributed by the Small Business Administration through the Paycheck Protection Program. It was not included in the loan amount listed above because we only included allocations through the Medicare Accelerated and Advance Payment Program.

<sup>7</sup> MAAPP loans to Regents of the University of California were designated to its medical centers as well as to the Regents itself.

<sup>8</sup> The total loan amount for St. Joseph Health System was calculated by summing the loan amount from entities that received loans under the Providence St. Joseph Health System parent that were listed by OSHPD as belonging to St. Joseph Health.

One limitation of this report is if COVID Stimulus Watch did not list the health system parent for a MAAPP loan to its subsidiary, then the health system loan amounts would be understated. Furthermore, this report does not include loans from the Paycheck Protection Program.

This report provides a summary of the loans that the largest health systems in California received through Medicare Accelerated and Advance Payment Program. The financial health of these health systems should continue to be monitored during the duration of this pandemic.

## References

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