



## HBS Update

December 22, 2020

### Introduction

Yesterday was a day I thought I would never see. No, not the Christmas Star but the Independent Rural Health Clinic cap being raised. Raising the cap has been on every presentation at NARHC meetings going back to the first conference in early 1990s. I literally did not believe I would live to see the day this would happen. So, what happened, besides Jupiter and Saturn converging closer than they have in centuries and how it will impact your rural health clinic.

### HISTORIC DAY FOR RHCS

Congress passed the Consolidated Appropriations Act, 2021 (CAA) and the 5,593-page document is going to the President for signature. This \$900 Billion bill includes Section 130 Improving Rural Health Clinic Payments which increases the Medicare cap for independent RHCs to \$100 per visit and increases the rate until the maximum rate is up to \$190 per visit in 2028 and the rate will be increased by the Medicare Economic Index thereafter.

**This does not mean RHCs will automatically get these higher rates.** If the RHCs cost per visit as calculated on the cost report is less than the cap, then the clinic is paid the lessor of the two. Cost Reporting while always important (if you did not do it Medicare would cut off your payments) it will more important than ever for independent RHCs to capture all their costs and correctly count the total visits used to compute the All-Inclusive Rate.

We have included a table that lists the Medicare All-Inclusive Rate caps by year going forward. The new higher rate is effective April 1, 2021 when it goes up to \$100.00 per visit. One thing to remember for your 2021 cost reports is to prepare a separate P S and R report for the period 1/1/2021 to 3/31/2021 as that period will be subject to a lower cap than the following periods will be. Here is a table of the RHC Medicare Caps by year.

<b>RHC Medicare Caps by Year</b>		
<b>Beginning</b>	<b>Ending</b>	<b>Rate</b>
1/1/2021	3/31/2021	\$ 87.52
4/1/2021	12/31/2021	\$ 100.00
1/1/2022	12/31/2022	\$ 113.00
1/1/2023	12/31/2023	\$ 126.00
1/1/2024	12/31/2024	\$ 139.00
1/1/2025	12/31/2025	\$ 152.00
1/1/2026	12/31/2026	\$ 165.00
1/1/2027	12/31/2027	\$ 178.00
1/1/2028	12/31/2028	\$ 190.00
1/1/2029	12/31/2029	\$190 + MEI

### **The impact on Provider-based RHCs (less than 50 beds)**

There is a cost to getting this higher rate. Provider-based RHCs (less than 50 beds) **certified after 12/31/2019 that were not subject to a cap will now be subject to this cap.** Provider-based RHCs (less than 50 beds) certified on or before 12/31/2019 are grandfathered and will not be subject to these limitations. Hopefully, with lobbying the effective date of this can be changed as it is clearly unfair for a law to be retroactively applied one year prior to its passing.

Here are some links to help you understand the rules and to save you a lot of time, we put together an 18-page document with just the information related to RHCs and lost revenues.

- [Consolidated Appropriations Act, 2021 \(5,593 page PDF\)](#)
- [NARHC Newsletter Article on the increased Medicare Cap](#)
- [Consolidated Appropriations Act Source Documents related to RHCs and Lost Revenue \(18 page PDF\)](#)

## Projected Impact of the CAA on RHCs

We have already had several people asking about the financial impact that this historic change will have on RHCs. We came up with some examples to help you understand the numbers. We have even included an Excel spreadsheet to help you calculate your impact as well.

[CAA Impact Excel Spreadsheet with Examples and Medicare Capped Rates \(Excel Spreadsheets\)](#)

Impact of CAA for RHCs			
Description	Example 1	Example 2	Provider-Based
New Cap	\$ 100.00	\$ 100.00	\$ 100.00
Old Cap	\$ 87.52	\$ 87.52	NA
Cost per Visit	\$ 90.58	\$ 114.56	\$ 215.00
Lessor of Cost per visit or New Cap	\$ 90.58	\$ 100.00	\$ 100.00
Variance Per Visit between New Rate and old Cap/Rate	\$ 3.06	\$ 12.48	\$ (115.00)
Medicare Payment Percentage	80%	80%	80%
Medicare Impact on Payment per visit	\$ 2.45	\$ 9.98	\$ (92.00)
Number of Medicare Visits (4/1/2021 to 12/31/2021)	2,500	2,500	2,500
Impact on Medicare Reimbursement	\$ 6,120	\$ 24,960	\$ (230,000)
Example 1 is an Independent RHC with a cost per visit below the \$100 All-Inclusive cap.			
Example 2 is an Independent RHC with a cost per visit higher than the \$100 All-Inclusive cap.			
Provider-Based is a provider-based RHC (less than 50 beds) certified on 1/1/2020 and subject to the cap.			

## Lost Revenue Definition Changes AGAIN

The CAA again changed the definition of lost revenue. This week's definition reverts to the June 2020 definition of lost revenue which includes the used of budgeted income and expenses as long as the budget was approved prior to March 27, 2020. As a refresher here is the June 2020 FAQs and will have more on this after we have time to digest another round of changes.

[Provider Relief Funds FAQ from June 2020 \(the new Lost Revenue Definition\)](#)



## Expenses paid with PPP funds are now Deductible

Great News on your Payroll Protection Program Loan from our friends at Blue & Co. LLC.

"As we have discussed [through many of our information blasts and webinars](#), the IRS had issued a series of Revenue Procedures and Notices stating that expenses paid for with forgiven loans will not be able to be deducted, and as we had noted this appeared to be against Congress's intent. The new bill clarifies this position as, "no deduction shall be denied or reduced, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income provided". As such, the provision would ensure that PPP recipients can deduct the payroll costs and other expenses covered by forgiven loans, even though the loans themselves are tax-free income. Importantly, this rule applies to ALL borrowers; even those who have already applied for forgiveness; and **as such expenses paid with PPP funds are now completely deductible.**

Additionally, the bill delivers a streamlined forgiveness for loans of less than \$150,000. **Such borrowers will only be required to submit a one-page online or paper form**, and will only be subject to audit if they commit fraud or use the proceeds for improper purposes. As such, it appears a small borrower will not be subjected to the required reductions in forgiveness amounts generally caused by slashing salaries or slashing headcount and the forgiveness application process will be greatly streamlined."

Source: <https://www.blueandco.com/breaking-news-900-billion.../>



Happy Holidays to everyone. This year has been like no other. We have celebrated our healthcare heroes and mourned our losses. You have saved lives and comforted those facing their darkest hour. Like you, we have worked tirelessly this year to serve those that depend on us to the best of our abilities. I would like to say we were perfect and knew exactly what was in store for us or even fully comprehend the changes that have been presented to us, but that is not the case. This is our first rodeo, and it is uncomfortable not having 35 years of experience to rely upon as a guide. I am sure to some degree; you feel the same way when you treat your patients. Here at Healthcare Business Specialists, we will be taking this week off to celebrate Christmas with our families and will not be as available as we normally are. The days will not be filled with Zoom meetings, but with laughter and joy with those closest to us. We wish the same for you and yours and wish you a Merry Christmas and the happiest of Holidays.

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Facebook Group (2,000 RHCs) <https://www.facebook.com/groups/1503414633296362/>