



## Phase 3.5 Stimulus Legislation: Funding for Hospitals and COVID-19 Testing

On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act became law (the “PPP and HCE Act”). The PPP and HCE Act increases the appropriation for the Payroll Protection Program and for Emergency Economic Injury Disaster (“EIDL”) grants, and includes some targeted funding for hospitals and health care providers and for COVID-19 testing. The following provides an overview of the PPP and HCE Act’s funding for health care and testing, which is available to state and local jurisdictions providing these services.

For a summary of the PPP and EIDL provisions see <https://www.pacificallawgroup.com/covid-19-resources/>.

The PPP and HCE Act does not include any appropriation to increase the Coronavirus Relief Fund for state and local government. Any relief for state and local governments (beyond the targeted health care and testing funding in the PPP and HCE Act) has been pushed back for consideration in future legislation (CARES 2 or Stimulus 4). The PPP and HCE Act also did not address the concerns of state and local governments in connection with the existing CARES Coronavirus Relief Fund. State and local governments have pressed to allow use to replace lost tax and other revenues resulting from the sudden halt to business activity necessitated by the COVID-19 public health emergency. States with state income taxes have been hard hit by the delay in the income tax payment deadline, and states (like Washington) that are reliant on sales and excise taxes have been affected by the sharp decline in taxable activity.

### Health Care Funding

The PPP and HCE Act provides \$75 billion (in addition to the \$100 billion appropriated in CARES) for hospitals and health care providers. The additional amount is allocated to the Public Health and Social Services Emergency Fund. Funds will be provided to “eligible health care providers” to be used to reimburse health care related expenses or lost revenues attributable to COVID-19. The PPP and HCE Act specifically allows use of the funds for “building or construction of temporary structures, leasing of properties, medical supplies and equipment including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity.” Funds cannot be used to reimburse expenses or losses covered by other sources.

“Eligible health care providers” include public entities and Medicare or Medicaid enrolled suppliers and providers. The Secretary of Health and Human Services may specify other for-profit and nonprofit entities that provide diagnoses, testing, or care for individuals with possible or actual cases of COVID–19. Each eligible health care provider is required to submit an application to the Secretary that includes a statement justifying the provider’s need for the payment.

### Funding for COVID-19 Testing

The PPP and HCE Act also includes \$25 billion for the Public Health and Social Services Emergency Fund for COVID-19 testing. The PPP and HCE Act provides funding for “necessary expenses to research, develop,

validate, manufacture, purchase, administer, and expand capacity for COVID-19 tests to effectively monitor and suppress COVID-19.”

Of the \$25 billion, \$11 billion is provided to States, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes. Funds may be used for necessary expenses to develop, purchase, administer, process, and analyze COVID-19 tests. Examples include scaling up testing capacity, conducting surveillance, tracing contacts, supporting employer testing, and other related activities related to COVID-19 testing. Within the earmarked \$11 billion amount, \$2 billion is specifically allocated to States, localities, and territories by formula grant pursuant to the FY 2019 Public Health Emergency Preparedness cooperative agreement, \$4.25 billion is allocated to States, localities, and territories according to a formula based on number of COVID-19 cases, and \$750 million is provided in coordination with Indian Health Service. The formula-based allocations are to be determined within 30 days.

In addition, \$600 million is available for grants under the Health Centers program and for grants to federally qualified health centers from the Health Resources and Services Administration—Primary Health Care program, \$225 million is available to rural health clinics, and up to \$1 billion is available to cover costs of testing uninsured persons. Other amounts are appropriated to federal agencies and for other targeted support.

State and local governments receiving funds for COVID-19 testing are required to submit a COVID-19 testing plan to the Secretary within 30 days. The plan must include goals for 2020 for the number of tests needed each month, laboratory and testing capacity per month, and a description of how the entity will use its testing resources, including in connection with easing any COVID-19 community mitigation policies.

### **No Relief for State and Local Government Lost Revenues**

As noted above, the PPP and HCE Act does not address state and local government funding, other than providing targeted funding for health care and COVID-19 testing. State and local governments are bearing significant costs responding to the COVID-19 public health emergency as well as providing public services to address community needs in a challenging economic climate. State and local government revenues have been affected by the halt in business activity as communities comply with Stay at Home and other public health mandates necessitated by the COVID-19 pandemic. In Washington State, strict limitations on annual property tax increases have, over the past decades, led to reliance on sales and excise tax revenues that are volatile and dependent on economic activity.

State and local government organizations continue to advocate for additional federal funding and financial tools to address COVID-19 impacts, including to address lost tax and other revenues.

If you have any questions regarding this information, please contact us. Additional COVID-19 resources are available on our website at <https://www.pacificallawgroup.com/covid-19-resources/>.

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