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July 22nd, 2020

Seema Verma

Administrator

Centers for Medicare and Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, SW, Room 445-G
Washington, DC 20201

Dear Administrator Verma,

The National Rural Health Association (NRHA) writes today with urgent concerns regarding the Small Business Administration's (SBA) Paycheck Protection Program's (PPP) treatment within the Centers for Medicare and Medicaid Services (CMS) Medicare cost reporting. Recent interpretations of this program by CMS will undermine the program's intent, financially devastate rural providers, and significantly exacerbate the rural hospital and rural health clinic closure crises.

As you know, the PPP, created within the Coronavirus Aid, Relief, and Economic Security (CARES) Act, has been a much-needed lifeline for rural providers who are operating at the narrowest of financial margins. Pre-pandemic, hundreds of rural hospitals were vulnerable to closure; a record number of closures occurred last year. When CMS ordered healthcare providers nationwide to cease elective and non-emergency care in March 2020, in response to the Covid-19 pandemic Public Health Emergency (PHE), rural providers lost on average 50-80 percent of their revenue. Four rural hospitals were forced to close. Many others were forced to lay off 30-50 percent of their staff. According to a study last year by the National Bureau of Economic Research, rural hospital closures cause mortality rates in rural communities to increase by nearly six percent. In comparison, the study also found that urban hospital closures had no measurable impact on mortality rates. Additionally, when a rural hospital closes, extreme economic decline of a community ensues.

The PPP program was a critical part of the relief provided by Congress. It has literally enabled thousands of rural health care providers keep access to necessary health care services in their communities during this pandemic, which has proven especially critical as COVID-19 hotspots have recently begun to flare up across rural America. NRHA worked closely with the SBA to provide a series of webinars to educate rural providers on the importance of this program and how it could help them continue to provide necessary health care services to their communities during this pandemic. It was our understanding that if a recipient utilized the program properly, such using

funds to keep health care providers employed, they would not be penalized for the funds that did not have to be repaid.

However, recent notifications from CMS directing PPP funds to be offset on labor expenses of Critical Access Hospital (CAH) and Rural Health Clinic's (RHC) cost reports are deeply troubling. We were extremely disturbed when one of our members received the following notice:

“To prevent the duplication of benefits from the federal government - i.e., once via the SBA's PPP loan forgiveness and a second time in reimbursement for Medicare's share of providers' reasonable costs, funded by the loan forgiveness – providers must offset the amount of the SBA's PPP loan forgiveness from the operating expenses they report on their Medicare cost report.”

We are not aware of any other recipients of the PPP who are penalized for proper use of the program and are unclear why CMS would require this of rural health providers during the pandemic. As you know, the result of this cost-offset could result in a reduction in reimbursement for Critical Access Hospitals (CAH) and Rural Health Clinics (RHC) for Medicare and Medicaid in most states. This could amount to a loss of 70-80 percent of their PPP loan forgiveness amount.

Such a requirement will prove disastrous for the necessary rural health care providers and will likely accelerate the rural hospital and rural health clinic closure crises. We do not believe that the intent of Congress, nor the President, was for the SBAs PPP to fund the Medicare trust fund. We believe this program was created to help keep employees working and we strongly urge you to reconsider.

Thank you for working to improve the health of rural Americas. We look forward to collaborating with you to resolve this troubling issue. If you would like additional information, please contact Josh Jorgensen at jjorgensen@nrharural.org, or 202-639-0550.

Sincerely,



Alan Morgan
Chief Executive Officer
National Rural Health Association

CC: Alex Azar, Secretary of the Department of Health and Human Services; Eric Hagan, Deputy Secretary of the Department of Health and Human Services