

# COVID-19 Legislative Response Update

*Week of March 30 – April 5*

# Executive Summary

---

In the first week following passage of the CARES Act, health care providers across the country had high expectations of guidance around relevant funding programs. While clarity and progress were received on several provisions of the legislation, providers continue to wait for information around the \$100 Billion appropriation.

---

- The bipartisan legislation was passed by the U.S. Senate on March 25, the U.S. House on March 27, and signed into law by President Trump on March 27
- The legislation contains six titles, with four of primary interest to health care providers
  - Title I: *Keeping America's Workers Paid and Employed Act*
  - Title II: *Assistance for American Workers, Families, and Businesses*
  - Title III: *Supporting America's Health Care System In The Fight Against Coronavirus*
  - Title IV: *Economic Stabilization And Assistance To Severely Distressed Sectors Of The U.S. Economy*
- **Key Health Care provisions include:**
  - Establishment of a \$100 billion fund to assist health care providers with needed resources to combat COVID-19
  - Increased FMAP of 6.2 percent for the duration of the COVID-19 emergency declaration
  - Suspension of the two percent Medicare sequester through December 31, 2020
  - 20 percent COVID-19 add-on payment for Medicare services
  - Acceleration of Medicare periodic interim payments
- **Other Key Provisions for health care providers include:**
  - Economic stability efforts that will provide loan guarantees and other financial support for industries impacted by COVID-19
  - Numerous tax provisions, to include changes related to charitable giving, which could benefit health care providers

# Health Care Providers: \$100 Billion Appropriation

---

**\*\*NO GUIDANCE FROM THE DEPARTMENT OF HEALTH & HUMAN SERVICES LAST WEEK\***

- **Reimbursement for Uncompensated Care Guidance—White House Task Force**

- Following statements by Vice-President Mike Pence, on Friday Health and Human Services (HHS) Secretary Alex Azar stated that hospitals will receive reimbursement, at Medicare levels, for treating anyone who is uninsured for COVID-19
- Azar did not suggest how the remainder of the funds will be allocated, or estimate the cost of reimbursing hospitals for treating uninsured patients for COVID -19
- The Federation of American Hospitals, which represents the investor-owned hospitals, suggested that while providers should be reimbursed for treating uninsured patients for COVID-19, it should not come out of the \$100 Billion appropriation, which should be reserved to provide funds for supplies, infrastructure, and other critical reimbursement
- American Hospital Association President and CEO Rick Pollack made a similar statement

- **Other Items of Note**

- Both the AHA and Association of American Medical Colleges (AAMC) sent letters to HHS suggesting models and formulas for HHS to allocate the \$100B appropriation
- Notably, the AHA suggested that to ensure funds are released quickly to hospitals all across the country, a \$25k/bed payment be made to every U.S. hospital, with an additional payment modifier to \$30k/bed payment be made to hospitals in 'hot zones' treating a significant number of COVID-19 patients

# Other Key Provisions: Medicare Accelerated Payments

---

- **Accelerated Medicare Payments**

- For the duration of the COVID-19 emergency period, CMS will allow hospitals and other facilities to receive accelerated Medicare payments, up to six months in advance, to alleviate cash flow/liquidity issues
- [On Saturday, March 28, CMS released initial guidance on this program](#)
- The initial guidance was received positively by hospitals, both for the specificity and the proposed timeliness of the payments
  - Beginning last week (3/29), Medicare Administrative Contractors began taking applications for accelerated payments
  - The first payments are expected within the next 7-14 days
  - Inpatient acute care hospitals, certain cancer hospitals, and children's hospitals are able to request up to 100 percent of the Medicare payment amount for a 6-month period, with payback beginning in 120 days

# Key CARES Act Health Care Provisions: Impact Example

---

On Thursday morning Tenet Healthcare hosted an investor call to accompany a bond offering, specifically discussing the impact of COVID-19 on the organization. During the call, Tenet quantified the impact of some CARES Act provisions.

- **Medicare Accelerated Payments**

- Tenet estimated that its hospitals, surgery centers, and physician practices would be able to apply for **around \$1.5 Billion** in advanced Medicare payments

- **Deferral of employer 6.2 percent social security payroll tax match**

- Tenet estimates that this deferral will result in **not having to fund \$250 Million of taxes in 2020**
- The payroll deferral is required to be paid back over two years, half due in December 2021 and half in December 2022

- **Medicare Sequestration**

- Elimination of the 2 percent Medicare sequester from May 1 2020 through December 31 2020 will result in **additional revenue/cash of \$67 Million in 2020**

- **Medicaid**

- The suspension of Medicaid DSH reductions as mandated by the Affordable Care Act (ACA) will result in **additional revenue/cash of \$60 Million in 2020**

## Presentation Disclaimer

**In any instance where distribution of this communication is subject to the rules of the US Commodity Futures Trading Commission ("CFTC"), this communication constitutes an invitation to consider entering into a derivatives transaction under U.S. CFTC Regulations § § 1.71 and 23.605, where applicable, but is not a binding offer to buy/sell any financial instrument.**

This presentation has been prepared by individual personnel of Citigroup Global Markets Inc., Citigroup Global Markets Limited or their subsidiaries or affiliates (collectively, "Citi"). Such employees are not research analysts and are not subject to SEC or FSA rules designed to promote the independence of research and research analysts and accordingly may receive compensation related to securities or products to which these materials relate. These materials may contain general market commentary and excerpts of research; however they are not intended to constitute investment research, a research recommendation, research analysis or a research report for purposes of such rules.

**In connection with any proposed transaction, Citi will be acting solely as a principal and not as your agent, advisor, account manager or fiduciary. Citi has not assumed a fiduciary responsibility with respect to the proposed transaction, and nothing in this or in any prior relationship between you and Citi will be deemed to create an advisory, fiduciary or agency relationship between us in respect of a proposed transaction. You should consider carefully whether you would like to engage an independent advisor to represent or otherwise advise you in connection with any proposed transaction, if you have not already done so.**

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any contemplated transaction.

The provision of information in this presentation is not based on your individual circumstances and should not be relied upon as an assessment of suitability for you of a particular product or transaction. Even if Citi possesses information as to your objectives in relation to any transaction, series of transactions or trading strategy, this will not be deemed sufficient for any assessment of suitability for you of any transaction, series of transactions or trading strategy.

This presentation is provided for information purposes and is intended for your use only. Except in those jurisdictions where it is impermissible to make such a statement, Citi hereby informs you that this presentation should not be considered as an offer to sell or the solicitation of an offer to purchase any securities or other financial products. This presentation does not constitute investment advice and does not purport to identify all risks or material considerations which should be considered when undertaking a transaction. Citi makes no recommendation as to the suitability of any of the products or transactions mentioned. Any trading or investment decisions you take are in reliance on your own analysis and judgment and/or that of your advisors and not in reliance on us.

Certain transactions, including those involving swaps and options, give rise to substantial risk including the potential loss of the principal amount invested, and are not suitable for all investors. Citi does not provide investment, accounting, tax, financial or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your independent advisors. Therefore, prior to entering into any transaction, you should determine, without reliance on Citi, the economic risks or merits, as well as the legal, tax and accounting characteristics and consequences of the transaction and that you are able to assume these risks. By acceptance of these materials, you and Citi hereby agree that from the commencement of discussions with respect to any transaction, and notwithstanding any other provision in this presentation, Citi hereby confirms that no participant in any transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such transaction.

This presentation is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Any estimates and opinions included herein constitute Citi's judgment as of the date hereof and are subject to change without any notice.

This presentation may contain "forward-looking" information. Such information may include, but not be limited to, projections, forecasts or estimates of cash flows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual termination or unwind prices that may be available to you. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. Illustrative performance results may be based on mathematical models that calculate those results by using inputs that are based on assumptions about a variety of future conditions and events and not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be substantial. The products or securities identified in any of the illustrative calculations presented herein may therefore not perform as described and actual performance may differ, and may differ substantially, from those illustrated in this material. When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes.

Any securities or other financial products described herein may be subject to fluctuations of their mark-to-market price or value. Such fluctuations may be substantial, depending on the type of securities or other financial products and the financial environment. In addition certain securities described in the presentation may provide for payments linked to or derived from prices or yields of one or more securities or other instruments or foreign currencies, and such provisions may result in negative fluctuations in the value of and the amounts payable with respect to such securities prior to or at redemption. You should consider the implication of such fluctuation with your independent accounting, tax and risk advisors.

Citi shall have no liability to you, the user or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of the data nor for any special, direct, indirect, incidental or consequential loss or damage which may be experienced because of the use of the information in this presentation or otherwise arising in connection with this presentation, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to Citi that may not be excluded or restricted. These materials are intended for distribution solely to customers of Citi in jurisdictions where such distribution is permitted. The information contained herein is proprietary information of Citi and may not be reproduced or otherwise disseminated in whole or in part without Citi's prior written consent.

Citi often acts as (i) a market maker; (ii) an issuer of financial instruments and other products; and (iii) trades as principal in many different financial instruments and other products, and can be expected to perform or seek to perform investment banking and other services for the issuer of such financial instruments or other products. The author of this presentation may have discussed the information contained herein with others within or outside Citi and the author and/or such other Citi personnel may have already acted on the basis of this information (including by trading for Citi's proprietary accounts or communicating the information contained herein to other customers of Citi). Citi, Citi's personnel (including those with whom the author may have consulted in the preparation of this presentation), and other customers of Citi may be long or short the financial instruments or other products referred to in this presentation, may have acquired such positions at prices and market conditions that are no longer available, and may have interests different from or adverse to your interests.

Citi is required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with Citi. Citi will ask for your complete name, street address, and taxpayer ID number. Citi may also request corporate formation documents, or other forms of identification, to verify information provided.

Although Citibank, N.A. (together with its subsidiaries and branches worldwide, "Citibank") is an affiliate of Citi, you should be aware that none of the financial instruments or other products mentioned in this presentation (unless expressly stated otherwise) are (i) insured by the Federal Deposit Insurance Corporation or any other governmental authority, or (ii) deposits or other obligations of, or guaranteed by, Citibank or any other insured depository institution.

**IRS Circular 230 Disclosure:** Citi and its employees are not in the business of providing, and do not provide, tax or legal advice to any taxpayer outside of Citi. Any statements in this presentation regarding tax matters were not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

© 2020 Citigroup Global Markets Inc. Member SIPC. All rights reserved. Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.