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# Hot Topics in Healthcare? What Happens When Stimulus Money Dries Up

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## I. Introduction

Congress implemented a number of programs to bolster the finances of hospitals and other health care providers in response to the global Coronavirus pandemic. Most significantly, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The combination of infusion of funds, acceleration of payments, and deferral of tax obligations was intended to help alleviate the impact of revenue loss due to the suspension of non-urgent care, coupled with costs associated with COVID-19.

Accordingly, health care providers (among other businesses) have been buttressed with this government stimulus money and other relief. But just like the receding tide—when the stimulus stops, what will surface?

While the trillions of dollars in federal funding programs for hospitals and health care providers were intended to mitigate the economic impact of the pandemic, the funding did not resolve some of the systemic issues faced by healthcare providers and in fact may lead to increased distress among providers, as addressed in turn.

## II. Overview of COVID-19 Era Programs Made Available to Healthcare Companies

As highlighted, the federal government implemented a number of programs to provide enhanced financial support for hospitals and other health care providers to compensate for revenue loss and higher costs associated with the pandemic. The most significant to the health care industry are addressed in turn.

### A. CARES Act

The largest rescue plan established in response to the Coronavirus pandemic is the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.[1] Congress passed the $2 trillion CARES Act in March of 2020, to provide direct financial support to American workers, families, industries and small businesses struggling from the financial hardships imposed by COVID-19. The CARES Act implemented a variety of programs that provided, among other things, loans and relief funds for health care providers and small businesses, stimulus checks, tax deferral programs, and protections for borrowers with federally-backed mortgage.

The CARES Act, while still largely in effect, was drafted to provide temporary relief for the duration of the pandemic with some programs lasting only a few months.

### B. Paycheck Protection Program

The Paycheck Protection Program ("PPP"), established by the CARES Act, was implemented by the Small Business Administration with support from the Department of the Treasury. This program provides health care providers and small businesses with funds to pay up

[1] Pub. L. No. 116-136 (March 27, 2020).

to 8 weeks of payroll costs including benefits.[2] Funds could also be used to pay interest on mortgages, rent, and utilities. The PPP prioritized millions of Americans employed by small businesses by authorizing up to $659 billion toward job retention and certain other expenses.[3]

Many health care providers were eligible for the PPP, under which loans are forgiven if employers did not lay off workers and meet other criteria.[4] By August of 2020, health care providers received nearly $68 billion of the $525 billion in PPP loans that were distributed in 2020.[5] In 2021, health care providers received another $29 billion of the $278 billion in PPP loans that were distributed that year. The CARES Act also appropriated $454 billion for loans to larger businesses—including hospitals.[6]

A borrower could apply for forgiveness once all loan proceeds for which the borrower was requesting forgiveness had been used. Borrowers could apply for forgiveness any time up to the maturity date of the loan. If borrowers did not apply for forgiveness within 10 months after the last day of the covered period, then PPP loan payments were no longer deferred, and borrowers were required to begin making loan payments to their PPP lender.[7]

### C. American Rescue Plan (ARP)[8]

The American Rescue Plan Act of 2021 ("ARP"), which President Biden signed on March 11, 2021, was implemented in response to the COVID-19 pandemic and the corresponding economic crisis.[9] Among other things, ARP provided funding to individuals, health care providers, and institutions in the form of tax credits, stimulus checks, and funding devoted to prevent the spread of COVID-19. Specifically, approximately $1 trillion was allotted to individuals – both directly in the form of stimulus checks and indirectly through extensions of unemployment insurance benefits, increased tax credits, and lowered health insurance premiums, among other things; approximately $160 billion was provided for the supplies, emergency response, testing, and public health workforce to stop the spread of COVID-19; and the plan reserved nearly $200 billion for reimbursement to health care providers to supplement the increased costs of care.

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[2] Nancy Ochieng, et al., *Funding for Health Care Providers During the Pandemic: An Update*, KFF (Jan. 27, 2022) https://www.kff.org/coronavirus-covid-19/issue-brief/funding-for-health-care-providers-during-the-pandemic-an-update/. *See also* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-small-businesses/paycheck-protection-program.

[3] *Id*.

[4] *Id*.

[5] *Paycheck Protection Program (PPP) Report* (Aug. 2020) https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf.

[6] https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program.

[7] Ochieng, *supra*, n. 3; *see also* https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-loan-forgiveness.

[8] Pub. L. No. 117–2.

[9] https://www.whitehouse.gov/american-rescue-plan/.

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