

# UPDATE ON CORONAVIRUS RESPONSE

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## KEY TAKEAWAYS

- The federal government continues to respond to the coronavirus. The Trump administration and state governments have taken action to ensure a swift response to the public health outbreak, declaring state and public health emergencies that allow for additional federal support and easier access to health care services.
  - Congress has passed three bills to help respond to the coronavirus.
  - Last week, Congress passed and President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act, which includes provisions to aid the economy and ensures additional support is available to health care providers.
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**O**n March 13, President Trump declared the coronavirus to be a national [emergency](#). He has used funds allocated by Congress to respond to the public health emergency and assist state and local governments. President Trump [extended](#) national social distancing guidelines, which include avoiding nonessential travel and gathering in groups of 10 or more people, until April 30.

## LATEST RESPONSE BY FEDERAL AGENCIES

The Centers for Disease Control and Prevention has distributed diagnostic kits to state and local public health laboratories to diagnose COVID-19 patients in the United States. The Food and Drug Administration [granted](#) an emergency use authorization to allow more labs to test samples and identify potential cases more quickly. As of April 1, there were 95 state and local public health laboratories [using](#) the CDC's COVID-19 diagnostic test.

Along with the FDA, the CDC took steps to make more protective masks available to health care workers. They can now use respirators that have been approved for other types of work, such as construction, even though they were not specifically approved for health care uses. Private companies have started converting their operations to produce medical and protective equipment. On March 18, President Trump [activated](#) his authority under the Defense Production Act to address the coronavirus emergency and subsequently [ordered](#) General Motors to prioritize production of ventilators under the act. General Motors will begin production of ventilators and surgical masks and expects to begin shipping supplies within a couple of weeks.

The Centers for Medicare and Medicaid Services has [waived](#) a number of requirements to make it easier for providers to furnish care to Medicare beneficiaries and Medicaid enrollees during the COVID-19



public health emergency. The waivers allow hospitals to expand capacity by caring for patients in non-hospital settings and physicians to reach more patients by furnishing services over the phone.

The Trump administration and HHS have expanded patient access to telemedicine services during the COVID-19 outbreak. The HHS Office for Civil Rights will not [impose](#) HIPAA penalties for “good faith use of telehealth” during the emergency. This will [enable](#) covered health care providers to use additional apps to provide telehealth during the emergency without risk of noncompliance with HIPAA rules.

## PROVIDING THE RESOURCES TO FIGHT CORONAVIRUS

Congress [provided](#) \$7.8 billion in discretionary supplemental funds to target research and development of vaccines and treatments, and to support state and local public health departments. The funding also [helped](#) to strengthen the national stockpile of medical supplies and health system preparedness and increased access to telehealth services.

Congress also [passed](#) the Families First Coronavirus Response Act, H.R.6201, which set up emergency paid sick leave and family leave requirements for certain employers, offset by refundable tax credits. It increased funds for food aid and unemployment benefits. The law [requires](#) insurers to provide coverage for certain coronavirus testing and services related to the testing order. The most recent congressional action clarified that all tests must be covered, without cost-sharing, by all health plans.

Last week, Congress [passed](#) and President Trump signed the Coronavirus Aid, Relief, and Economic Security Act. Key provisions of the law include:

## HEALTH CARE

- Establishes new requirements for medical device manufacturers to identify shortages in their supply chains. Manufacturers must report to the FDA if devices that are vital to public health are no longer available or if there is a disruption in the supply chain. The FDA will create and maintain a publicly available device shortage list. The National Academies of Sciences, Engineering, and Medicine will evaluate the security of the drug and medical device supply chain.
- Modernizes the way certain over-the-counter drugs are regulated by the FDA. The law gives the FDA new authority to modernize the OTC drug development and review process to ensure a stable OTC marketplace, including products such as acetaminophen and hand sanitizer.
- Provides \$1.3 billion in grants to community health centers. This will help CHCs test and treat COVID-19 patients and help alleviate some of the burden on hospitals and other providers.
- Waives Medicare telehealth requirements during the public health emergency to help patients remain in their homes and contain the spread of the virus. The bill waives in-person care



requirements for home dialysis patients for the duration of the emergency period. Medicare patients who do not have a pre-existing relationship with a health care provider are temporarily allowed to receive care through telehealth. Allows for increased ability for health centers and rural health clinics to provide Medicare patients care through telehealth for the duration of the emergency. People with high-deductible health insurance plans can use those plans for telehealth services without violating the rules of the plan.

- Increases payments to health care providers. The bill temporarily suspends Medicare sequestration, which equates to a 2% add-on for all payments from May 1 to the end of the calendar year. Hospitals receive a 20% rate increase to their Medicare reimbursement for patients with a COVID-19 diagnosis who receive inpatient care. The bill delays “disproportionate share hospital” cuts until November 30.
- Allows hospitals to receive an advance on their Medicare payments that is based on a prior, more stable period with favorable repayment terms to provide cash flow needed to sustain operations.
- Extends funding for certified community behavioral health centers through November 30 along with other health care extenders. The CARES Act also includes funding to expand the CCBHC program to two additional states.
- Ensures coverage for testing and that access and coverage for an eventual coronavirus vaccine would be sped up and covered in Medicare without cost sharing on a permanent basis.

## **DIRECT AID TO WORKERS AND FAMILIES**

- Provides recovery checks of \$1,200 for most adults with up to \$75,000 in adjusted gross income (or AGI of \$112,500 for heads of household and \$150,000 for married couples filing jointly). There is an additional \$500 for each child. The check amount is reduced by \$5 for each \$100 in income that taxpayers have above these thresholds. For people with incomes above \$99,000 (or \$146,500 for heads of household with one child, and \$198,000 for joint filers with no children), the rebate is phased out entirely. People must have a work-eligible Social Security number and not be a dependent of another taxpayer to be eligible. Those with no income or who receive income solely through non-taxable, means-tested benefit programs are also eligible.
- Sets up a Pandemic Unemployment Assistance program for the self-employed, independent contractors, and other workers who do not qualify for traditional unemployment benefits. The program is scheduled expire December 31. The CARES Act also provides a \$600 per week benefit for people receiving unemployment insurance or the temporary pandemic unemployment assistance for up to four months, in addition to the weekly unemployment benefit they receive from their state. Through December 31, the bill provides an additional 13



weeks of unemployment benefits for people who are still unemployed after exhausting their state benefits.

- Defers student loan payments, principal, and interest through September 30 for all borrowers of federally owned loans. People who drop out of school because of the pandemic will not be required to return portions of any Pell Grants or federal loans they received. Waives a similar requirement that schools return certain amounts of grants or loans to the Department of Education if a student drops out of school. If a student drops out due to the pandemic, the current academic term is not counted toward his or her lifetime eligibility limit for receiving Pell Grants or subsidized federal loans. The law says that this partial school year will count as a full year for teachers who are fulfilling requirements under the Teacher Loan Forgiveness program or the TEACH Grant program.
- Provides protections for homeowners with federally backed mortgages, including mortgages purchased by Fannie Mae and Freddie Mac, insured by the departments of Housing and Urban Development, Veterans Affairs, or Agriculture, or made directly by USDA. Prohibits foreclosures on these federally backed mortgages for 60 days starting March 18 and provides up to one year of forbearance for borrowers of these mortgages who are facing financial hardship due to COVID-19.

## **SMALL BUSINESSES**

- Provides about \$350 billion in federally guaranteed loans through the Small Business Administration to help small businesses meet cash flow needs and keep their workers employed. Through the new Paycheck Protection Program, the federal government will forgive amounts that employers spend on payroll, rent, leases, mortgage interest, and utilities. The program's purpose is to help businesses retain and pay workers during the pandemic. Banks already participating in the SBA's 7(a) lending program will issue the loans, along with additional lenders the Treasury Department approves. Businesses with 500 or fewer employees are eligible. The number of employees can be higher if the SBA's size standard for that industry is more than 500. Hotels, restaurants, or similar food service and accommodation businesses with 500 or fewer employees at each individual location are eligible. The maximum loan amount is 250% of a borrower's average monthly payroll expenses (excluding compensation in excess of an annual rate of salary of \$100,000 for an individual), up to a total of \$10 million.
- Provides \$17 billion for the SBA debt relief program, which requires SBA to pay the principal and interest of new 7(a) loans issued prior to September 27 and the principal and interest of current 7(a) loans for six months.
- Provides \$10 billion to support the expanded SBA Economic Injury Disaster Loan program. Allows businesses that received an EIDL loan prior to passage of the CARES Act to refinance



into a forgivable Payroll Protection Program loan. Allows businesses to apply for an EIDL advance of up to \$10,000 to pay for employees' sick leave, help maintain payroll, and for other necessary obligations.

- Provides businesses with a refundable payroll tax credit – known as the employee retention credit – for 50% of wages paid (subject to limits) by employers that have had to partially or fully suspend business operation or have seen a significant decrease in receipts due to COVID-19 shutdown orders.
- Provides other options for businesses to reduce tax payments this year, such as deferring some payroll taxes, as well as to amend prior year tax returns to improve liquidity needed to keep businesses open and employees on the payroll.
- Allows 501(c)3 nonprofits to access programs like the Paycheck Protection Program. Encourages people to donate to charities by allowing people who do not itemize to deduct up to \$300 of cash contributions on their taxes. Increases the limitation on deductions for charitable contributions in cash by people who itemize and by corporations.
- Allows tribal businesses to access the Paycheck Protection Program.

## **ECONOMIC STABILIZATION**

- Provides up to \$500 billion for the Treasury and Federal Reserve to leverage as loans to provide liquidity, ensure economic stability, and keep workers employed. Includes direct lending up to:
  - \$25 billion for passenger air carriers, aviation repair stations, and airline ticket agents
  - \$4 billion for cargo air carriers
  - \$17 billion for businesses critical to national security
  - Also included is up to \$454 billion, plus any remaining funds from the above amounts, for loans, loan guarantees, and other investments to be leveraged through the Federal Reserve's 13(3) programs and facilities, in support of businesses, states, and municipalities. This will provide liquidity to the financial system and help businesses maintain operations and keep workers employed.
- Authorizes the secretary of transportation to make continuation of certain air transportation services a condition of the loans to air carriers.
- Sets certain terms for direct lending to airlines and businesses critical to national security, including requiring businesses to maintain the employment levels they had on March 24 as much as possible, until September 30 but that they maintain at least 90% of their employment



levels as of March 24. Says that the loans or loan guarantees are to be as short as is practical but no longer than five years. It also generally prohibits these direct loan recipients from repurchasing stock until 12 months after the loan is no longer outstanding. The government is authorized to participate in the gains of the businesses through instruments such as warrants and equity interest.

- Subjects the Federal Reserve 13(3) programs and facilities that issue direct loans to certain terms, including generally restricting the repurchase of stock until 12 months after the direct loan is not outstanding anymore. It requires businesses to comply with compensation limitations set in the title. The secretary of the treasury can waive these restrictions on the direct loans if it is necessary to protect the federal government's interests. The Fed's programs and facilities that do not provide direct loans are not subject to the restrictions on stock buybacks, executive compensation, and related terms that apply for direct loans.

## **APPROPRIATIONS TO GOVERNMENT AGENCIES**

- Funds a wide variety of programs and agencies across federal, state, local, territorial, and tribal governments as well as for hospitals, airports, and public transit. More than 80% of the total goes to state and local governments and communities.
  - \$117 billion for hospitals, medical providers, and veterans health care
  - \$45 billion for the FEMA Disaster Relief Fund
  - \$4.3 billion for the CDC
  - \$16 billion for the Strategic National Stockpile
  - \$11 billion for vaccines, therapeutics, diagnostics and other medical needs

The largest accounts for federal agencies include the following:

### **Departments of Labor and Health and Human Services - \$172.1 billion**

- \$127 billion for Public Health and Social Services Emergency Fund, including \$100 billion to ensure health care providers receive the support they need for COVID-19
- \$16 billion for the Strategic National Stockpile to procure personal protective equipment
- \$11 billion for vaccines, therapeutics, diagnostics, and other preparedness needs, with not less than \$3.5 billion for vaccines and therapeutics
- \$4.3 billion for the CDC, with \$1.5 billion in state and local preparedness grants



- \$6.3 billion for the Administration for Children and Families for child care providers, Head Start, block grants, the Low Income Home Energy Assistance Program, and other programs

### **Departments of Transportation and Housing and Urban Development - \$48.5 billion**

- \$10 billion for the Federal Aviation Administration Airport Improvement Program
- \$25 billion for Federal Transit Administration and \$1 billion for Amtrak
- \$17.4 billion for HUD, including \$10 billion for community grants

### **Department of Defense - \$10.5 billion**

- \$2.45 billion for the Defense Industrial Base, including \$1 billion for the Defense Production Act
- \$5.5 billion for the Defense Health Program
- \$1.5 billion for emergency National Guard support to states and territories

### **Department of Veterans Affairs - \$19.6 billion**

- \$14.4 billion for medical services and \$2.1 billion for medical care in the community

### **Department of Agriculture - \$25.4 billion**

- \$8.8 billion for child nutrition programs
- \$15.5 billion for SNAP nutrition programs
- Provides \$14 billion toward replenishment of the Commodity Credit Corporation to ensure farm economic assistance to farmers
- Provides \$9.5 billion in emergency support for agricultural producers affected by COVID-19, including producers of livestock and other commodities