



Health Care ADVISORY ■

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CMS Announces New Repayment Terms for Medicare Accelerated and Advance Payment Program Loans

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On October 8, the Centers for Medicare & Medicaid Services (CMS) [announced](#) amended terms for Accelerated and Advance Payment (AAP) Program loans that provide much-needed relief for AAP recipients. Initially, providers and suppliers were required to begin repayments on these loans 120 days after payment was issued, as early as August, and repay the balance in full within seven months (one year for certain hospitals). Further, AAP recipients faced recoupment of up to 100 percent of Medicare payments during the repayment phase and an interest rate of around 10 percent. See our [March 30 advisory](#) for details on the initial expansion of the AAP Program under the CARES Act.

Key AAP Program Changes

These changes to the AAP Program are required in the Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159) ("Continuing Resolution"). This law delays repayment obligations for *all* providers and suppliers that received AAP loans during the COVID-19 public health emergency (PHE). While CMS will be communicating with each provider and supplier in the coming weeks about the repayment terms and amounts owed, there are several important details to note:

- Initiation of repayment offsets has been delayed until 12 months after the payment was issued, instead of 120 days as originally required.
- After the first 12 months, Medicare will automatically recoup 25 percent of Medicare payments instead of 100 percent of Medicare payments as originally required.
- After 11 months of 25 percent recoupment (23 months from the date payment was issued), recoupment will increase to 50 percent of Medicare payments.

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- If, after six months of 50 percent recoupment (29 months from the date payment was issued), the provider has not repaid the total AAP loan, CMS will issue repayment letters on the outstanding balance.
- If payment is not received within 30 days of the issuance of the repayment letter, interest will accrue at 4 percent from the date the letter was issued for each full 30-day period that the balance remains unpaid, instead of a rate of around 10 percent.

The Continuing Resolution also provides CMS additional discretion to limit AAP loans after April 26, 2020, and CMS announced through its [fact sheet](#) that as of October 8 it will no longer accept applications for AAP loans “as they relate to the COVID-19 PHE.” If CMS changes its position, it would be able to resume advance payments to providers and suppliers. However, payments to Part B suppliers would be capped at \$10 million in total advance payments for 2020 and \$10 million for each year during the COVID-19 PHE.

The Continuing Resolution also requires CMS to publish certain AAP Program data on its website by October 15, including payment amounts broken down by provider and supplier type and by provider and supplier Medicare certification number.

Additional Flexibilities for “Hardship” Situations

Providers and suppliers experiencing financial hardships can request an Extended Repayment Schedule (ERS) after receiving a repayment letter. An ERS allows eligible providers to repay outstanding debt through an installment payment plan over three years (potentially up to five years), but this option is not available during the initial 29-month repayment period. To qualify for an ERS, a provider or supplier must meet the criteria for financial “hardship” or “extreme hardship” set forth under 42 C.F.R. 401.607(c)(2).

- “Hardship” exists when a provider’s or supplier’s outstanding debt not otherwise included in an approved, existing repayment schedule is at least 10 percent of the provider’s or supplier’s total Medicare payments from the previous year (based on the most recently filed cost report or the previous calendar year for entities that do not file cost reports).
- “Extreme hardship” is determined by CMS on a case-by-case basis.

See CMS’s fact sheet and [FAQ document](#) for additional details regarding these changes.

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