



## Health Care ADVISORY ■

**OCTOBER 2, 2020**

### HHS Announces \$20 Billion Phase 3 General Distribution

by [Rob Stone](#) and [Brian Lee](#)

On October 1, 2020, the U.S. Department of Health and Human Services (HHS), through the Health Resources and Services Administration (HRSA), [announced](#) a new Phase 3 General Distribution from the Provider Relief Fund (PRF) that will provide \$20 billion to eligible providers to ensure that they have received approximately 2% of annual patient care revenue and provide an add-on payment to account for lost revenues and expenses attributable to COVID-19. The application period will run from October 5 through November 6, 2020. The HRSA intends to host webinars to assist providers through the application process.

Despite the recently released [Post-Payment Notice of Reporting Requirements](#), which has caused confusion and concerns among PRF recipients regarding the ability to retain PRF payments received, **we strongly encourage eligible providers to closely review and consider applying for this Phase 3 General Distribution.**

#### **Eligible Providers**

The following providers are eligible to apply for this funding:

- Providers who previously received, rejected, or accepted a General Distribution payment (even if they already received approximately 2% of annual patient care revenue).
- Behavioral health providers (including those that previously received funding).
- New health care providers who began practicing between January 1, 2020 and March 31, 2020.

In addition, providers who are currently working through a Phase 2 General Distribution will have until 11:00 p.m. ET on October 4, 2020 to complete their application. Applications not completed by this deadline will be voided, and applicants will be able to submit an application for the Phase 3 General Distribution at the [Provider Relief Fund Application and Attestation Portal](#).

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## Payment Methodology

The HRSA will first assess whether the applicants have received a General Distribution payment equal to approximately 2% of patient care revenue. If the applicant has not yet received 2% of patient care revenue, it will receive a “true-up” payment so that the combined General Distribution payments equal 2% of patient care revenue.

With the remaining balance after these true-up payments, the HRSA will calculate “an equitable add-on” payment that considers:

- A provider’s change in operating revenues from patient care.
- A provider’s change in operating expenses from patient care, including expenses incurred related to the coronavirus.
- Payments already received through prior PRF distributions.

## Implications for Providers

Similar to other application-based distributions from the PRF, we anticipate a potentially lengthy review before payments are made, as well as a 90-day period for Phase 3 recipients to accept and attest to the payment amounts received. While there is uncertainty surrounding how HHS will assess appropriate use of PRF payments pursuant to the Notice of Reporting Requirements, we expect additional clarity and guidance on whether accepting a Phase 3 General Distribution is appropriate. In addition, the payment methodology implies that applicants will have to submit information similar to what would be submitted as part of the reporting requirements (e.g., change in patient care operating revenues, change in operating expenses from patient care, expenses attributable to COVID-19), and this exercise may assist providers in preparing for the full PRF payment reporting.

Alston & Bird has formed a multidisciplinary [response and relief team](#) to advise clients on the business and legal implications of the coronavirus (COVID-19). You can [view all our work](#) on the coronavirus across industries and [subscribe](#) to our future webinars and advisories.

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