

Federal Support for Financially Distressed Hospitals

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Recent reports of hospitals closing or reducing services in urban areas (such as in [Atlanta](#) and [Cleveland](#)) and ongoing issues of [rural hospital closures](#) have raised concerns about access to care. In addition, some hospitals report experiencing [financial strain](#) and are [reducing services](#) (particularly [labor and delivery services](#)). These reports raise questions about federal support for hospitals and potential options to aid financially distressed hospitals. This Insight addresses Medicare hospital payments, other sources of federal support for hospitals (programs that support [other types of health facilities](#) are not discussed), and temporary financial assistance available for expenses related to COVID-19.

Federal Payment for Health Care Services Provided to Beneficiaries

Insurance programs such as [Medicare](#), [Medicaid](#), and [private health insurance](#) generally pay for services furnished to beneficiaries and enrollees; they do *not provide general financial support* to hospitals. For example, [Medicare is the largest source of federal government insurance spending for hospital services](#). [Medicare](#) pays most hospitals a predetermined fixed payment rate for each Medicare beneficiary inpatient hospital stay—referred to as the base payment rate—under the [Medicare inpatient prospective payment system](#) (IPPS). The IPPS base rate was set using hospital operating and capital costs in the early 1980s, updated for inflation. Thus, it is a rate based on the *average* cost of furnishing inpatient hospital services to a Medicare beneficiary; it is not a hospital's *actual* cost of furnishing inpatient care. The IPPS base rate is subject to numerous adjustments to account for the relative difference in costs due to patient conditions, [geographic labor costs](#), and certain characteristics of a hospital, such as whether the hospital [trains medical residents](#) or treats a disproportionate share of low-income patients.

In addition to the aforementioned payment adjustments, some qualifying hospitals may change the baseline costs used to set their IPPS base rate if such change would result in a higher IPPS payment rate. These are referred to as Medicare payment designations (e.g., Sole Community Hospital), which are often targeted to small rural hospitals. However, even these hospitals are still paid under IPPS, not at-cost. Thus, Medicare does not provide general financial support to hospitals. Rather, Medicare is primarily insurance coverage; it pays providers (e.g., hospitals) for services furnished to Medicare beneficiaries.

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Federal Support for Hospitals

Few current grant programs (see [here](#) for a past hospital funding program) directly target financial support to hospitals; however, a number of broader funding opportunities may be relevant. Below are selected examples; this list is not comprehensive. Note that hospitals often seek capital funding for construction or renovation projects. Many grants specifically preclude funding capital projects, but examples that can support such projects are noted. Also, see further CRS resources on grants and federal assistance.

- [Preventive Health and Health Services Block Grants](#) (PHHS) provides funds to states, territories, and tribes to address public health needs. See [here](#) for state agency contact information.
- [Community Services Block Grants](#) (CSBG) provide federal funds to states, territories, and tribes for distribution to local agencies to support a wide range of community-based activities to reduce poverty. See [here for state agency contact information](#).
- [Hospital Preparedness Program \(HPP\) and Public Health Emergency Preparedness \(PHEP\)](#) provides funding to promote prepared and resilient communities.
- [Community Development Block Grant \(CDBG\)](#) through the Department of Housing and Urban Development (HUD) provides funds to address a wide range of unique community development needs. [HUD Community Development and Planning Field Offices](#) can confirm site eligibility. (Capital projects eligible.)
- [Investments for Public Works and Economic Development Facilities](#) grants support the construction or rehabilitation of essential public infrastructure and facilities. (Capital projects eligible.)
- [Community Facilities Direct Loan & Grant Program \(USDA\)](#) provides affordable funding to develop essential community facilities in rural areas. (Capital projects eligible.)
- HUD's Office of Hospital Facilities administers the [Section 242 Hospital Mortgage Insurance program](#) to assist hospitals with obtaining financing. (Capital projects eligible.)
- The Small Business Administration (SBA) provides a wide range of resources and opportunities for finding funding, including [grants and loans](#). See [here](#) for contact information for SBA District Offices. (Capital projects eligible.)
- For capital projects that incorporate energy efficiency, the U.S. Department of Energy [maintains a database \(DSIRE\)](#) of energy efficiency incentives. Incentives are searchable by state, coverage area, eligible sector (e.g., nonprofit), and other filters. (Capital projects eligible.)

- [U.S. General Services Administration’s Office of Personal Property Management](#) helps [state and local agencies](#) and [nonprofits](#) acquire surplus federal property, which may include equipment, furniture, and vehicles, among other items. Organizations can contact their [State Agency for Surplus Property](#).

The federal government also supports technical assistance to providers through the following:

- [RHIhub](#) (the Rural Health Information Hub), funded by Department of Health and Human Services (HHS), which provides extensive information, including how-to-guides such as [Applying for Grants to Support Rural Health Projects](#) and [Capital Funding for Rural Healthcare](#). It also has a listing of [Rural Funding & Opportunities and customized searches available](#).
- HHS’s [Federal Office of Rural Health Policy](#), which administers programs that provide technical assistance to [rural hospitals](#) in financial distress or at risk of closure.
- HHS’s Office of Minority Health, which conducts [funding searches](#) for entities to identify available opportunities.

The FY2022 appropriations law (P.L. 117-103) provided infrastructure funds to health facilities through [Community Project Funding](#). Similar requests in the [Senate](#) and [House](#) were advanced for FY2023 appropriations; as of the date of this Insight, FY2023 full-year appropriations have not been enacted.

Supplemental Funding for Hospitals

COVID-19 relief funding through the \$178 billion [Provider Relief Fund \(PRF\)](#) provided direct funding to hospitals for increased costs and reduced revenue due to the coronavirus. This included [funds targeted for safety net hospitals](#), rural hospitals, and hospitals that treated large numbers of COVID-19 patients. The American Rescue Plan Act (ARPA; P.L. 117-2) also included [two programs to support rural providers](#). The first was administered in conjunction with the PRF and provided [\\$8.3 billion to rural providers](#) for COVID-19-related increased costs and reduced expenses. The second program—[Emergency Rural Health Care Grants](#), administered by USDA—has two tracks. The first is for [immediate rural health care needs](#), and the second is for [long-term rural health care needs](#); in both cases, these needs must be caused by COVID-19.

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