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Apply Now – New Provider Relief Funds for Medicaid and CHIP Providers

The IRS has recently issued [FAQ guidance](#) regarding the tax implications for providers who are the recipients of the Relief Payments made through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Providers who receive funds from the Provider Relief Fund must include the Relief Payment amount as gross income. These payments are taxable upon receipt by the provider. Tax-exempt healthcare providers are not subject to tax on the Relief Payments unless the payment reimburses the provider for expenses or lost revenue which is attributable to an unrelated trade or business.

On June 9, 2020, the Department of Health and Human Services (HHS) announced that there will be additional distributions of approximately \$15 billion from the Provider Relief Fund to providers participating in Medicaid and the Children’s Health Insurance Program (CHIP). Such providers include Federally Qualified Health Centers (FQHCs). The deadline to apply for this Medicaid-targeted distribution is July 20, 2020, so providers are encouraged to determine their eligibility requirements and apply as soon as possible.

These distributions will be made from the [\\$175 billion](#) in Provider Relief Funds set aside by the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) and the [Paycheck Protection Program and Health Care Enhancement Act](#). Like other distributions from the Provider Relief Funds, providers that have been allocated a payment must sign an attestation confirming receipt of the funds and agree to the [Terms and Conditions](#) within 90 days of payment.

Eligibility Requirements

It is estimated that nearly 100 million healthcare providers may be eligible for this targeted distribution. To meet the eligibility requirements, providers:

- Must not have received payment from the \$50 billion general distribution;
- Must have either (i) directly billed Medicaid for healthcare-related services during the period of January 1, 2018, to December 31, 2019, or (ii) own (on the application date) an included subsidiary that has billed Medicaid for healthcare-related services during the period of January 1, 2018, to December 31, 2019;
- Must have either (i) filed a federal income tax return for fiscal years 2017, 2018 or 2019 or (ii) be an entity exempt from the requirement to file a federal income tax return and have no beneficial owner that is required to file a federal income tax return. (e.g. a state-owned hospital or healthcare clinic);
- Must have provided patient care after January 31, 2020;
- Must not have permanently ceased providing patient care directly, or indirectly through included subsidiaries; and
- If the applicant is an individual, must have gross receipts or sales from providing patient care reported on Form 1040, Schedule C, Line 1, excluding income reported on a W-2 as a (statutory) employee.

Eligible providers will need to act quickly to register for their applicable distribution payments since these distributions will be made on a rolling basis. To register, providers must access the [Provider Relief Fund Payment Portal](#) and input their annual patient revenue. This will be used to determine the amount of the provider's distribution. The payment to each provider will be at least 2% of reported gross revenue from patient care. The final amount each provider receives will be determined after the data is submitted, including information about the number of Medicaid patients providers serve.

Application Requirements

The following is a list of items required to apply:

- The applicant's most recent federal income tax return for 2017, 2018 or 2019, or a written statement explaining why the

applicant is exempt from filing a federal income tax return (e.g., a state-owned hospital or healthcare clinic).

- The applicant's Employer's Quarterly Federal Tax Return on IRS Form 941 for Q1 2020, Employer's Annual Federal Unemployment (FUTA) Tax Return on IRS Form 940, or a statement explaining why the applicant is not required to submit either form (e.g., no employees).
- The applicant's FTE Worksheet (provided by HHS).
- If required by Field 15, the applicant's Gross Revenue Worksheet (provided by HHS).

FQHC Information

FQHCs are eligible for this targeted distribution if they have not received a payment from the \$50 billion general distribution. Most FQHC providers are paid by the FQHC as salaried or contracted employees and do not independently bill for services. However, if a provider who works at an FQHC bills under his or her tax identification number for FQHC out-of-scope patient services, that provider may also be eligible for a distribution.

If you have questions about your eligibility for this targeted distribution, Frost Brown Todd's [Insurance Regulation](#) or [Health Care Innovation Team](#) can help. Please contact the authors of this article with any questions. You can also visit our [Health Law Matters blog](#) for more insight into legal issues impacting the health care industry.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a [Coronavirus Response Team](#). Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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