



Trick or Treat?

October 22nd Revisions to Provider Relief Fund Reporting Requirements

October 29, 2020

Disclaimer: To the best of our knowledge, this information was correct at the time of publication. Given the fluid situation, and with rapidly changing new guidance issued daily, be aware that some or all of this information may no longer apply. Please visit our COVID-19 hub frequently for the latest updates, as we are working diligently to put forth the most relevant helpful guidance as it becomes available.

© 2020 PYA, P.C.

WE ARE AN INDEPENDENT MEMBER OF HLB—THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Introductions



Martie Ross, JD
Principal
Healthcare Consulting
mross@pyapc.com



Michael Ramey
Principal
Healthcare Consulting
mramey@pyapc.com



pyapc.com
800.270.9629

ATLANTA | KANSAS CITY | KNOXVILLE | NASHVILLE | TAMPA

\$175 Billion Provider Relief Fund



1. **General Distribution, Phase I - \$50 billion**
 - a. Round I - \$30 billion
 - b. Round II - \$20 billion
 2. **General Distribution, Phase II - \$18 billion**
 3. **General Distribution, Phase III - \$20 billion**
 4. **Targeted Distributions**
 - a. COVID-19 High Impact Hospitals - \$22 billion
 - b. Rural Providers - \$11.3 billion
 - c. Skilled Nursing Facilities - \$4.9 billion
 - d. Safety Net Hospitals - \$14.7 billion
 - e. Nursing Homes - \$2.5 billion
 - f. Indian Health Services - \$500 million
 5. **Other Allocations**
 - a. Rural Health Clinic Testing Program - \$225 million
 - b. Nursing Home Infection Control Incentive Payments - \$2 billion
 - c. COVID Testing and Treatment for Uninsured - ~ \$1.3 billion (through September)
 6. **Unallocated - ~\$25 billion**
-

Terms & Conditions – Use of Funds



- Funds “will only be used to prevent, prepare for, and respond to coronavirus, and that the Payment shall reimburse the Recipient only *for health care related expenses or lost revenues that are attributable to coronavirus.*”
- Funds will not be used “to reimburse expenses or losses that have been *reimbursed from other sources* or that other sources are obligated to reimburse.”

Terms & Conditions - Reporting



- “[S]ubmit reports as the Secretary determines are needed to ensure compliance with conditions ... in such form, with such content, as specified by the Secretary in future program instructions directed to all.”
- “[M]aintain appropriate records and cost documentation [as] required by future program instructions to substantiate the reimbursement of costs under this award.”
- “[P]romptly submit copies of such records and cost documentation upon the request of the Secretary.”
- “[F]ully cooperate in all audits the Secretary, Inspector General, or Pandemic Response Accountability Committee conducts to ensure compliance with these Terms and Conditions.”

Post-Payment Notice of Reporting Requirements

Updated October 22, 2020



- Applies to any TIN that received \$10,000 in aggregate
 - For **General Distributions**, parent may report on and direct the use of (i.e., re-distribute) funds received by subsidiaries
 - **Update:** Even if parent itself did not receive PRF funds
 - For **Targeted Distributions**, each recipient TIN must report separately; re-distribution of funds prohibited
 - For **Other Distributions**, separate reporting requirements to be announced
- On-line reporting portal to be available by 01/15/21
 - Report on funds expended through 12/31/20 by **02/15/21**
 - Report on funds expended 01/01/21 through 06/30/21 by **07/31/21**

Expenses Attributable to Coronavirus Not Reimbursed by Other Sources

- “Expenses attributable to coronavirus may be incurred both in treating confirmed or suspected cases of coronavirus, preparing for possible or actual coronavirus cases, **maintaining healthcare delivery capacity**, etc.”
- “**Net of other reimbursed sources** (e.g., payments received from insurance and/or patients, and amounts received from federal, state or local governments, etc.)”
 - Including, but not limited to forgiven PPP loans, FEMA relief, CARES Act Testing; state, local, and tribal government assistance; business insurance; payer reimbursement

Lost Revenue – Changing Definitions



June 19

- Any reasonable method (including comparison to budget)

September 19

- Negative change in year-over-year ***net patient care operating income***

October 22

- Negative change in year-over-year ***actual net patient care revenue***

Reporting Requirements

1. Total revenue/net charges from patient care related sources (by quarter for 2019 and 2020)
 - Net of uncollectible patient service revenue recognized as bad debt
 - Exclude insurance, retail, real estate values, grant funding, tuition
2. Revenue from patient care payer mix (2019 and 2020)
 - Traditional Medicare, Medicare Advantage, Medicaid, commercial, self-pay, other
3. Other assistance received (2020 only)
 - PPP, FEMA, CARES Act testing, local & state government, business insurance
4. Total expenses (by quarter for 2019 and 2020)
 - General & administrative
 - Healthcare-related expenses

Example: Hospital Reporting



Assumptions	Amount	Reference
Total PRF Funds received	\$75M	A
CY 2019 actual revenue from patient care-related sources	\$500M	B
Jan – June 2019 actual revenue from patient care-related sources	\$250M	C
CY 2020 actual revenue from patient care-related sources	\$450M	D
Jan – June 2021 actual revenue from patient-care related sources	\$240M	E
CY 2020 expenses attributable to COVID	\$5M	F
Jan – June 2021 expenses attributable to COVID	\$2M	G

CY 2020 Reporting

Description	Amount	Formula
2020 lost revenue	\$50M	$H = B - D$
2020 lost revenue, net of 2020 expenses attributable to COVID	\$45M	$I = H - F$
PRF expended in 2020	\$50M	$J = F + I$

Jan – June 2021 Reporting

Description	Amount	Formula
1H 2021 lost revenue	\$10M	$K = C - E$
1H 2021 lost revenue, net of 1H 2021 expenses attrib. to COVID	\$8M	$L = K - G$
PRF expended in 2021	\$10M	$M = G + L$
PRF owed back to HHS	\$15M	$N = A - (J + M)$

Remaining Issues

- Comparison to approved budget more reliable measure of organization's lost revenue?

Scenario	2019 Actual Net Revenue	2020 Budgeted Net Revenue	Budgeted Net Revenue Change	2020 Actual Net Revenue	Max PRF Claim for Lost Revenue in 2020
Opened a new hospital-based outpatient center in December 2019	\$100M	\$110M	10%	\$100M	\$0
Closed OB Services in December 2019	\$100M	\$90M	-10%	\$80M	\$20M

- Business changes require normalizations for true apples-to-apples comparison of actual results (e.g., A/R reserve methodology changes, provider additions)
- Exclusion of non-patient care revenue results in incomplete picture of provider's financial condition
- Instructions needed on parental reporting of general distributions vs. subsidiary reporting of targeted distributions

Winners / Losers

Revised Definition of “Lost Revenue”

Winners	Losers
Pass-through income entities (e.g., S Corps)	Providers with growth/significant expansion
Providers which managed expenses well	Poorly performing entities (or subsidiaries) with sizable 2019 losses
Providers with forecasted and/or actual declining operations	Providers with disproportionately higher COVID-related expenses
Health systems with multiple subsidiaries	Providers that returned PRF distributions prior to latest guidance

General Distribution, Phase III

- Additional \$20 billion announced October 1
 - Any provider that has not yet received payments of 2% of patient revenue
 - Expanded eligibility for behavioral health providers, assisted living facilities, dental providers
 - Providers that commenced operations between 01/01/20 and 03/31/20
 - Medicare Part A provider with CMS-approved change in ownership prior to 08/10/20
 - Any remaining funds used for equitable add-on based on lost revenue and expenses
 - Impact of “new” definition of lost revenue
- Apply via portal between 10/05/20 and 11/06/20
 - Most recent federal income tax return for 2017, 2018, or 2019, unless exempt
 - Revenue worksheet (if required)
 - Operating revenues and expenses from patient care

How PYA Can Help

PYA Subject Matter Experts

Complex Regulatory Guidance

Government Funding Mechanisms

Compliance

Accounting

Audit

Cost Reporting Strategy

- Tracking and communicating latest guidance
- Evaluating unique circumstances
- Assisting with identification and quantification of COVID-related expenses and lost revenues
- Developing and implementing process to compile supporting documentation
- Reviewing compliance activities initiated to-date and planning for future needs
- Supporting preparation of all required reports
- Evaluating whether refund may be necessary at some future date

PYA Resources



COVID-19 HUB

Because we are living through an unprecedented healthcare phenomenon, PYA is committed to sharing timely and relevant information that we hope will benefit our clients and colleagues. The COVID-19 HUB will centralize PYA's thought leadership, guidance, and resources related to the COVID-19 pandemic.

- Prior webinar recordings, slides, transcripts, follow-up Q&As
- Thought leadership
- Links to important resources

www.pyapc.com/covid-19-hub/