



Frontier States Town Hall Meeting - Part III





Using Your CARES Act Provider Relief Fund Distributions (yes, no, maybe)

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Introductions



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\$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. Rural Providers - \$11.3 billion
 - b. COVID-19 High Impact Hospitals - \$22 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)*

Status Report

- As of 12/4/20, 392,629 providers had attested to at least one PRF distribution
- 196,072 of those providers have received \$10,000 or more
- HHS has yet to allocate ~\$30 billion from the Provider Relief Fund
- Proposed COVID relief packages include \$\$ for vaccinations, but no additional \$\$ for providers

PRF Guidance

Statutory language

Terms & Conditions

FAQs (currently 57 pages)

Post-Payment Notice of Reporting Requirements

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 November 2, 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, even if parent itself did not receive PRF distribution
 - 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**

Use of Funds Calculation

- A. Calculate 2020 unreimbursed expenses attributable to coronavirus
- B. If A is $<$ total PRF distributions, calculate change in 2019 to 2020 actual revenue from patient care
- C. If A + B is $<$ total PRF distributions, calculate January to June 2021 unreimbursed expenses attributable to coronavirus
- D. If A + B + C $<$ total PRF distributions, calculate change in 1st half of 2019 to 1st half of 2021 actual revenue from patient care
- E. If A + B + C + D $<$ total PRF distributions, return remaining amount to HHS

Expenses Attributable to Coronavirus

- **Post-Payment Notice of Reporting Requirements:** “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.”
- **10/28 FAQ:** “[A] broad term that may cover a range of items and services purchased to prevent, prepare for, and respond to coronavirus, including:
 - supplies used to provide healthcare services for possible or actual COVID-19 patients;
 - equipment used to provide healthcare services for possible or actual COVID-19 patients;
 - workforce training;
 - developing and staffing emergency operation centers;
 - reporting COVID-19 test results to federal, state, or local governments;
 - building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated; and
 - **acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing, and technology to expand or preserve care delivery.”**

Not Reimbursed By Other Sources

- **Post-Payment Notice of Reporting Requirements:** “Net of other reimbursed sources (e.g., payments received from insurance and/or patients, and amounts received from federal, state or local governments, etc.)”
 - Federal assistance (e.g., forgiven PPP loan, FEMA, CARES Act Testing)
 - State, local, and tribal government assistance
 - Business insurance
 - Payer reimbursement
 - Example: May use PRF funds for vaccine distribution (e.g., “additional refrigerators, personnel costs to provide vaccinations, and acquiring doses of a vaccine (including transportation costs not otherwise reimbursed)” but not vaccination of Medicare, Medicaid, CHIP beneficiaries

Cost-Based Reimbursement (10/28/20 FAQ)

How does cost reimbursement relate to my Provider Relief Fund payment?

“Under cost reimbursement, the payer agrees to reimburse the provider for the costs incurred in providing services to the insured population.”

“[I]f the full cost ***was reimbursed*** based upon this method, there is nothing eligible to report as an expense attributable to coronavirus because the expense ***was fully reimbursed*** by another source.

“In cases where a ceiling is applied to the cost reimbursement and the reimbursed amount does not fully cover the actual cost due to unanticipated increases in providing care attributable to coronavirus, those incremental costs that ***were not reimbursed*** are eligible for reimbursement....”

Capital Equipment (11/14/20 FAQ)

Will the Provider Relief Fund limit qualifying expenses for capital equipment purchases to 1.5 years of depreciation, or can providers fully expense capital equipment purchases?

- Expenses for capital equipment and inventory may be fully expensed only in cases where the purchase was directly related to prevent, prepare for and respond to the coronavirus.
- Examples of these types of equipment and inventory expenses include:
 - Ventilators, CT scanners, and other ICU-related equipment put into use or held in inventory
 - Masks, face shields, gloves, gowns
 - Biohazard suits
 - General personal protective equipment
 - Disinfectant supplies

Capital Facilities Projects (11/14/20 FAQ)

Can providers include the entire cost of capital facilities projects as eligible expenses, or will eligible expenses be limited to the depreciation expense for the period?

- Expenses for capital facilities may be fully expensed only in cases where the purchase was directly related to preventing, preparing for and responding to the coronavirus.
- Examples of these types of facilities projects include:
 - Upgrading HVAC system to support negative pressure units
 - Retrofitting a COVID-19 unit
 - Enhancing or reconfiguring ICU capabilities
 - Leasing or purchasing a temporary structure to screen and/or treat patients
 - Leasing a permanent facility to increase hospital or nursing home capacity

Labor Costs

- Labor costs not normally incurred (10/28/20 FAQ)
 - Additional security personnel (locum tenens, traveling nurses?)
 - Hazard pay
 - Retention bonuses?
 - Re-charge vacation/sick leave?
- Terms and Conditions prohibit use of PRF distributions to pay any salary at annual rate in excess of Executive Level II (\$197,300 in 2020)
 - Not including fringe benefits and indirect costs
 - May pay amount in excess with non-federal funds

Risk Tolerance and Risk Management

- Expenditure of PRF distributions on projects for which funding not otherwise available (having to repay funds vs. having to return unspent funds)
 - Capital equipment and capital facilities projects
 - Labor costs
- Considerations
 - Directly related to COVID-19 response?
 - Commercially reasonable?
 - Contemporaneous documentation

Lost Revenue Attributable to Coronavirus



- Negative change in year-over-year actual net patient care revenue
 - “Entity with negative net operating income from patient care in 2019 may apply PRF amounts to lost revenues up to a net zero gain/loss in 2020.”
- Definition of “net patient care revenue”
 - Net of uncollectible patient service revenue recognized as bad debt
 - Exclude insurance, retail, real estate values, grant funding, tuition
 - Exclude sales of medical supplies, including DME and prescription glasses and contacts (10/28/20 FAQ)
 - Exclude savings obtained through enrollment in the 340B Program (6/22/20 FAQ)
 - Include fundraising revenues, grants, or donations in calculation of net patient care revenue “if they contribute to funding patient care services.” (12/4/20 FAQ)
 - Exclude payments made to third parties relating to care not provided in 2019 or 2020 (11/18/20 FAQ)
 - Although cannot use comparison to budget, other normalization of revenues permitted (*e.g.*, addition/subtraction of service line)?

Reporting Requirements

1. Total revenue/net charges from patient care related sources (by quarter for 2019 and 2020)
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

Non-Financial Information

For each calendar quarter -

- **Personnel Metrics**
 - Total personnel by labor category (FT, PT, contract, other), total re-hires, total new hires, total personnel separations by labor category
- **Patient Metrics**
 - Total # patient visits (in-person/telehealth), total # patients admitted, total # resident patients
- **Facility Metrics**
 - Total available staffed beds for medical/surgical, critical care, other
- **Changes in Ownership**
 - If reporting entity acquires or divests of related subsidiary, include specified information regarding transaction

Audit Requirements

- **Non-federal entity** (state, local government, not-for-profit) that **expends \geq \$750,000 in federal funds - including PRF payments** - in fiscal year must submit audit in compliance with 45 CFR Part 75, Subpart F (“**Single Audit**”) conducted in accordance with Generally Accepted Government Accounting Standards
- **For-profit entity receiving \geq \$750,000** in PRF must submit program specific audit or Single Audit under same guidance
- OMB expected to release guidance regarding treatment of PRF distributions within the week

Thank You!

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.

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



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