



# **CARES Act Provider Relief Fund: Opportunities, Compliance, and Reporting**

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**North Carolina Critical Access Hospital  
Statewide Meeting – March 4, 2021**

**Martie Ross**

**[mross@pyapc.com](mailto:mross@pyapc.com)**

# Provider Relief Fund

**\$100 billion**

- CARES Act (March 2020)

**\$75 billion**

- Paycheck Protection Program and Health Care Enhancement Act (April 2020)

**\$3 billion**

- Consolidated Appropriations Act (December 2020)

**\$0**

- American Rescue Plan (President Biden's proposed COVID-19 stimulus package)

# Distributions To Date



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 - \$2.5 billion
  - c. COVID Testing and Treatment for Uninsured\* - ~\$7.4 billion (includes estimated reserve funds)

# What's Next?

- As of 02/17/21, **406,322 providers** had attested to at least one PRF distribution; about 50% have received  $\geq$  \$10,000
- HHS has yet to allocate **\$20.2 billion** of the **\$178 billion** appropriated by Congress; estimated **\$19.4 billion** has been returned by providers
  - *Consolidated Appropriations Act:* At least 85% of future allocations (including returned funds) “shall be for any successor to the Phase 3 General Distribution allocation to make payments to eligible health care providers based on applications that consider financial losses and changes in operating expenses occurring in” Q3 of Q4 of 2020 or Q1 of 2021.
- Legislative action authorizing expanded use of funds?

# PRF Requirements and Guidance

Statutory Language (CARES Act + Consolidated Appropriations Act)

Terms & Conditions

FAQs (currently 60 pages; updated weekly)

Post-Payment Notice of Reporting Requirements (4<sup>th</sup> edition)

# Statutory Language – CARES Act



“to reimburse ... eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus”

“these funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse”

“payments ...shall be made in consideration of the most efficient payment systems practicable to provide emergency payment”

“to be eligible for a payment...an eligible health care provider shall submit... an application that includes a statement justifying the need ... for the payment”

# Statutory Language

## Consolidated Appropriations Act

Parent organization may re-allocate general and targeted distributions among subsidiary eligible health care providers, but reporting responsibility remains with original recipient

Lost revenue may be calculated in any reasonable manner including comparison to budget approved prior to 03/27/20

# 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 January 15, 2021



- On-line reporting portal now available for *registration only*
  - Available at <https://prfreporting.hrsa.gov/s/> (links to Portal FAQs and Registration User Guide)
  - No announced deadline for registration or reporting use of funds thru 12/31/20
  - No announced change to 07/31/21 deadline for reporting use of funds thru 06/31/21
- Reporting Entity
  - Parent *may* report on General Distributions for any subsidiary
    - Even if subsidiary signed the Terms and Conditions
  - Parent CANNOT report on Targeted Distributions for its subsidiaries
    - Every recipient of a Targeted Distribution will need to register as Reporting Entity
    - If parent re-allocated subsidiary's Targeted Distribution, subsidiary reports on that re-allocation

# Use of Funds Calculation

A. Calculate 2020 unreimbursed expenses attributable to coronavirus

- Necessary if relying solely on 2020 lost revenue?

B. If A is  $<$  total PRF distributions, calculate 2020 lost revenue

- Difference between 2019 and 2020 actual net patient care revenue
- Difference between 2020 budget and 2020 actual net patient care revenue
- Any reasonable means of calculating revenue

C. If  $A + B$  is  $<$  total PRF distributions, calculate:

- First half 2021 unreimbursed expenses attributable to coronavirus  
*and/or*
- Lost revenues in an amount not to exceed the difference between (i) Q1 + Q2 2019 and Q1 + Q2 2021 actual revenue; *or* (ii) Q1 + Q2 2020 budgeted revenue to Q1 + Q2 2021 actual revenue.

D. If  $A + B + C <$  total PRF distributions, return remaining amount to HHS

# Reporting Requirements - Expenses



## General and Administrative Expenses Attributable to Coronavirus

- Mortgage/Rent
- Insurance
- Personnel
- Fringe Benefits
- Lease Payments
- Utilities/Operations
- Other G&A

## Healthcare Related Expenses Attributable to Coronavirus

- Supplies (e.g., PPE, hand sanitizer, screening supplies)
- Equipment (e.g., ventilators, updates to HVAC systems)
- IT/interoperability systems (e.g., telehealth infrastructure, increased bandwidth)
- Facilities (e.g., modifications to facilities to accommodate patient treatment practices revised due to coronavirus)
- Other Healthcare Related Expenses (any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus)

*\*Reporting Entity must report by sub-category if received  $\geq$  \$500,000 in aggregate*

# What Qualifies as “Expense Attributable to Coronavirus?”

- **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.”**

# 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-Related Expenses

- 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

# Expanded Capabilities

- Infection control
- Community engagement
- Patient throughput/efficiencies
- Continuum of care
- Transfers and transportation
- Staff training



# 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.)”
  - Includes 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
- Required to report other assistance received
  - Federal assistance (e.g., forgiven PPP loan, FEMA, CARES Act Testing) received by *Reporting Entity* as of reporting period end date
  - State, local, and tribal government assistance received by *recipient and its included subsidiaries* as of reporting period end date
  - Business insurance - paid claims
  - Other assistance - Total amount received by *recipient and other TINs included in its report* as of reporting period end date

# 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....”

# 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

# Reporting Relating To Lost Revenue

- All Reporting Entities report revenue/net charges from patient care (prior to netting with expenses) for CY2020 by quarter and payer mix (*include subsidiaries?*)
  - Medicare Part A and B
  - Medicare Advantage
  - Medicaid/CHIP
  - Commercial Insurance
  - Self-pay
  - Other
    - *Include* fundraising revenues, grants, or donations “if they contribute to funding patient care services.” (12/4/20 FAQ)
    - *Do not include* -
      - Insurance, retail, real estate values, grant funding, tuition
      - Sales of medical supplies, including DME and prescription glasses/contacts (10/28/20 FAQ)
      - Savings obtained through enrollment in the 340B Program (6/22/20 FAQ)
      - Payments made to third parties relating to care not provided in 2019 or 2020 (11/18/20 FAQ)

# Lost Revenue Option 1

- Difference between 2019 and 2020 actual patient care revenue
- Must report patient care revenue by quarter by payer mix for 2019 and 2020
- Following still true? - “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.”

# Lost Revenue Option 2

- Difference between 2020 budgeted and 2020 actual patient care revenue
- Only available if budget established and approved prior to March 27, 2020
  - What if budget covers only a portion of the year (e.g., September 30 year-end)?
- Must submit –
  - 2020 budgeted amount of patient care revenue (by quarter by payer mix?)
  - Copy of 2020 budget
  - Attestation from the Reporting Entity's Chief Executive Officer, Chief Financial Officer, or similar responsible individual, attesting under 18 USC § 1001 that the exact budget being submitted was established and approved prior to March 27, 2020.

# Lost Revenue Option 3

- Calculate lost revenue using **any reasonable method of estimating revenue**
- Must submit -
  - Description of methodology
  - Calculation of lost revenues using that methodology
  - Explanation of why the methodology is reasonable
  - Description establishing how lost revenue was in fact loss attributable to coronavirus (as opposed to loss caused by any other source)
- If HHS determines recipient's proposed alternate methodology is not reasonable, recipient must resubmit its report within 30 days of notification using either (a) 2019 calendar year actual revenue, or (b) 2020 calendar year budgeted revenue to calculate lost revenues

# Required Reporting – Additional Information

- For each 2020 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
- Amount of interest earned on PRF payments (by what date?)