

# Provider Relief Funds: Reporting and Compliance Requirements

Lance Mann, CPA, CFE, CGMA  
Assurance Director




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## Participate in live polling with Poll Everywhere

1. Go to [pollev.com/deandorton](http://pollev.com/deandorton) on your computer or phone via internet browser




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## Participate in live polling with Poll Everywhere

2. Enter your first and last name in order to receive CPE credit

- Your answers are still anonymous on screen
- You are not signing up for an account – you are simply providing a way for us to tie responses to your attendance for CPE credit




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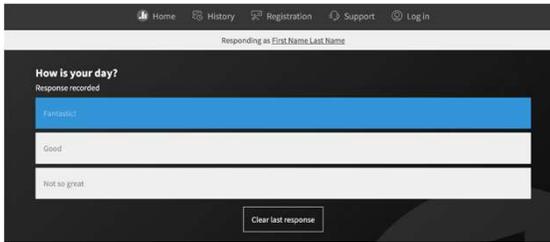
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### Each polling question has a 60-second time limit



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### Meet the speaker

- Lance Mann, CPA, CFE, CGMA
- Assurance Director at Dean Dorton
- Over 15 years of experience
- Industries include healthcare organizations, nonprofits, colleges and universities, and many more



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### Objectives

1. Obtain an understanding of the Health and Human Services' Reporting Requirement Implications
2. Understand incremental expense and lost revenue calculations
3. Prepare for the scope of a compliance audit

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## Agenda

Section	Minutes
Provider Relief Funds Overview	30
Incremental Expense and Lost Revenue Calculations	10
Compliance Audit Considerations	10
Q&A	

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## Have you received CARES Act funding?

Yes

No

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## Which type of entity structure best describes your organization?

For-profit

Nonprofit (tax exempt) entity

Governmental

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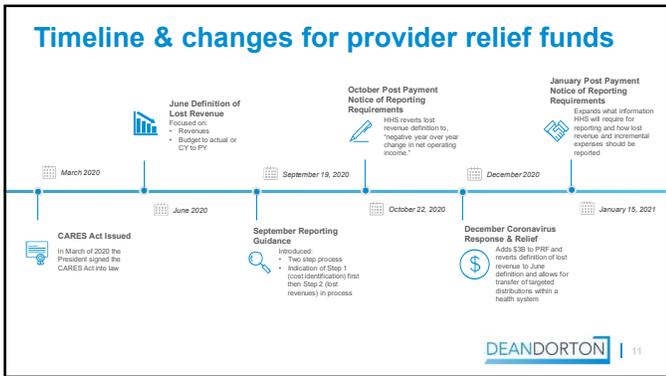
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### Healthcare focused items

<p><b>Public Health and Social Services Emergency Fund</b></p> <ul style="list-style-type: none"> <li>Fund: \$175 billion</li> <li>Broad definition of healthcare provider</li> <li>Costs</li> <li>Lost revenue</li> </ul>	<p><b>Medicare Reimbursement</b></p> <ul style="list-style-type: none"> <li>20% bump</li> <li>Temporary suspension of sequestration</li> <li>DSH payment cuts delayed</li> <li>Advanced payments from Medicare</li> </ul>
<p><b>Federal Emergency Management Agency</b></p> <ul style="list-style-type: none"> <li>Fund: \$45 billion</li> <li>Governmental hospitals</li> <li>Nonprofit hospitals</li> <li>State-specific</li> <li>No reimbursement for lost revenue</li> </ul>	<p><b>Federal Communication Commission</b></p> <ul style="list-style-type: none"> <li>Fund: \$200 million</li> <li>Governmental hospitals</li> <li>Nonprofit hospitals</li> </ul>

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## Consolidated Appropriations Act of 2021

- Congress has added an additional \$3 billion to the provider relief fund pool
- The legislation included a requirement for HHS to define lost revenue as it did in their June FAQs
  - That definition included any lost revenue and allows hospitals and other providers to “use any reasonable method of estimating” its lost revenues
- Another key related change for multi-hospital systems in the bill will allow hospitals to transfer PRF grants within a health system

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## Provider relief funds

- Funding type:
  - General Distribution
  - High-impact
  - Rural
  - SNF
  - Tribal
  - Medicaid
  - Safety Net
  - Dentist



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## Financial reporting & accounting considerations

- | June 30   | September 30  | December 31   | Fiscal Years After 12/31/2020   |
|---|---|---|---|
| <ul style="list-style-type: none"><li>• Subsequent event considerations</li><li>• Compliance supplement considerations</li><li>• PRF Not included in Schedule of Expenditure of Federal Awards (SEFA) until 2021 year end</li></ul> | <ul style="list-style-type: none"><li>• No longer a subsequent event</li><li>• Considerations of barriers</li><li>• Measurement criteria for recognition</li><li>• PRF Not included in SEFA until 2021 year end</li></ul> | <ul style="list-style-type: none"><li>• Hope is that more guidance will be available</li><li>• Calendar year-over-year change in revenue should be known</li><li>• Include PRF on SEFA for Single audit determination</li></ul> | <ul style="list-style-type: none"><li>• Provider relief fund receipts included in SEFA for Single Audit</li></ul> |

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## Financial reporting & accounting considerations

- Guidance issued as of October 9, 2020
  - AICPA – Technical Questions and Answers 6400
    - <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-6400-63-70.pdf>
  - GASB – Technical Bulletin No. 2020-1
    - [https://www.gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176174832053&acceptedDisclaimer=true](https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176174832053&acceptedDisclaimer=true)
- OMB compliance supplement
  - [https://www.whitehouse.gov/wp-content/uploads/2020/12/2020-Compliance-Supplement-Addendum\\_Final.pdf](https://www.whitehouse.gov/wp-content/uploads/2020/12/2020-Compliance-Supplement-Addendum_Final.pdf)

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**Did you know the February 15th reporting requirement for provider relief fund usage in 2020 has been changed to an unknown time?**

Yes

No

There's a reporting requirement?!

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## Steps 1 & 2



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## Consolidated Appropriations Act of 2021

- Lost revenue:

15 **reimbursement.** *Provided further,* That, for any reimburse-  
16 ment from the Provider Relief Fund to an eligible health  
17 care provider for health care related expenses or lost reve-  
18 nues that are attributable to coronavirus **(including reim-**  
19 **bursements made before the date of the enactment of this**  
20 **Act),** such provider may calculate such lost revenues using  
21 the Frequently Asked Questions guidance released by the  
22 Department of Health and Human Services in June 2020,  
23 **including the difference between such provider's budgeted**  
24 **and actual revenue budget if such budget had been estab-**  
25 **lished and approved prior to March 27, 2020.** *Provided*

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## Consolidated Appropriations Act of 2021

- Allocation of distributions:

5 Relief Fund to an eligible health care provider that is a  
6 **subsidiary of a parent organization,** the parent organiza-  
7 tion **may, allocate (through transfers or otherwise)** all or  
8 any portion of such reimbursement among the subsidiary  
9 eligible health care providers of the parent organization,  
10 including reimbursements referred to by the Secretary as  
11 **"Targeted Distribution"** payments, among subsidiary eli-

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## Breaking news

- On January 15, 2020, HHS released an updated **Post-Payment Notice of Reporting Requirements**
- Included in this release are
  - Options for calculating lost revenue
  - Details on how to report incremental expenses
  - Reporting data elements
  - Hospital operating metrics to be reported
  - How other assistance should be reported
  - Details of how targeted distribution transfers should be reported

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## Options for reporting lost revenue

- Recipients may choose to apply PRF payments toward lost revenue using one of the following options, up to the amount:
  - of the difference between 2019 and 2020 actual patient care revenue;
  - of the difference between 2020 budgeted and 2020 actual patient care revenue. If recipients elect to use 2020 budgeted patient care revenue to calculate lost revenue, they must use a budget that was established and approved prior to March 27, 2020. Providers using 2020 budgeted patient care revenue to calculate the amount of lost revenues they may permissibly claim will be required to submit additional documentation at the time of reporting; or

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## Options for reporting lost revenue

- calculated by **any reasonable method of estimating revenue**. If a recipient wishes to use an alternate reasonable methodology for calculating lost revenues attributable to coronavirus, the recipient must submit a description of the methodology, an explanation of why the methodology is reasonable, and establish how the identified lost revenues were in fact a loss attributable to coronavirus, as opposed to a loss caused by any other source. **All recipients seeking to use an alternate methodology face an increased likelihood of an audit by HRSA.** HRSA will notify a recipient if their proposed methodology is not reasonable, including because it does not establish with a reasonable certainty that claimed lost revenues were caused by coronavirus. If HRSA determines that a recipient's proposed alternate methodology is not reasonable, the recipient must resubmit its report within 30 days of notification using either 2019 calendar year actual revenue or 2020 calendar year budgeted revenue to calculate lost revenues attributable to coronavirus.

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## Incremental expense reporting

- Received PRF funds between \$10,001 - \$499,999
  - Report healthcare related expenses attributable to coronavirus, net of other reimbursed sources, in two categories: (1) G&A expenses and (2) other healthcare related expenses
- Received \$500,00 or more in PRF funds
  - Required to report healthcare related expenses attributable to coronavirus, net of other reimbursed sources, in greater detail than the two categories of G&A expenses and other healthcare related expenses, according to the following sub-categories of expenses:
    - General and Administrative – 1) Mortgage/Rent, 2) Insurance, 3) Personnel, 4) Fringe Benefits, 5) Lease Payments, 6) Utilities/Operations, 7) Other General and Administrative Expenses
    - Healthcare Related Expenses Attributable to Coronavirus – 1) Supplies, 2) Equipment, 3) Information Technology, 4) Facilities, 5) Other Healthcare Related Expenses

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**As it relates to the CARES Act subsidy, do you believe you have met the criteria to support revenue recognition for all of the funding you have received?**

Yes

No

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## Accounting guidance

For Profits	Non Profits	Governmental Entities
IAS 20	Grant revenue accounting (958-605)	GASB 33
Gain contingencies		
Grant accounting (958-605)		

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## Reporting

- Recipients must report for the calendar year ending December 31, 2020, & the six months ending June 30, 2021, as described in the Post-Payment Notice of Reporting Requirements issued January 15, 2021, & any subsequent updates
- <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/reporting-auditing/index.html>

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## What can you do now

- Register for the reporting portal  
<https://prfreporting.hrsa.gov/s/>



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## Incremental Expense Calculations (IEC)

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## Relevant FAQs

When reporting my organization's G&A expenses attributable to coronavirus, how do I calculate the "expenses attributable to coronavirus not reimbursed by other sources"? (Added 10/28/2020)

Providers should calculate incremental G&A expenses incurred that were attributable to 19 coronavirus and then estimate the portion of those expenses that were not covered through operational revenues, other direct assistance, donations or other sources. Examples may include expenses such as: Hiring additional security personnel, increased hazard pay, increased cost of utilities to operate temporary facilities, or similar items attributable to the coronavirus that were not normally incurred.

When reporting my organization's other healthcare related expenses attributable to coronavirus, how do I calculate the "expenses attributable to coronavirus not reimbursed by other sources"? (Added 10/28/2020)

Providers first calculate their expenses for supplies, equipment, IT, facilities, employees, and other healthcare related costs/expenses for calendar years 2019 and 2020, calculate the change in year over year expenses and identify the portion that is attributable to coronavirus. Provider will then apply reasonable assumptions to determine the amount of their "Total Revenue /Net Charges from Patient Care Related Sources" and "Other Assistance Received" that applies to each type of healthcare expense attributable to coronavirus.

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## Relevant FAQs

When reporting my organization's healthcare expenses attributable to coronavirus, how do I calculate the "expenses attributable to coronavirus not reimbursed by other sources?" (Added 10/28/2020)

Healthcare related expenses attributable to coronavirus may include items such as supplies, equipment, information technology, facilities, employees, and other healthcare related costs/expenses for the calendar year. The classification of items into categories should align with how Provider Relief Fund recipients maintain their records. Providers can identify their healthcare related expenses, and then apply any amounts received through other sources, such as direct patient billing, commercial insurance, Medicare/Medicaid/Children's Health Insurance Program (CHIP), or other funds received from the Federal Emergency Management Agency (FEMA), the Provider Relief Fund COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured, and the Small Business Administration (SBA) and Department of Treasury's Paycheck Protection Program (PPP) that offset the healthcare related expenses. Provider Relief Fund payments may be applied to the remaining expenses or cost, after netting the other funds received or anticipated to offset those expenses. The Provider Relief Fund permits reimbursement of marginal increased expenses related to coronavirus

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## Relevant FAQs

- A \$5 increase in expense or cost to provide an office visit is calculated by pre-pandemic cost vs. post-pandemic cost, regardless of reimbursement source:
  - Pre-pandemic average expense or cost to provide an office visit = \$80
  - Post-pandemic average expense or cost to provide an office visit = \$85
- Examples of reimbursed amounts may include, but not be limited to:
  - Example 1 Medicaid reimbursement: \$70 (Report \$85-\$80 = \$5 as expense attributable to coronavirus but unreimbursed by other sources)
  - Example 2 Medicare reimbursement: \$80 (Report \$85-\$80 = \$5 as expense attributable to coronavirus but unreimbursed by other sources)
  - Example 3 Commercial Insurance reimbursement: \$85 (Report \$5, commercial insurer did not reimburse for \$5 increased cost of post-pandemic office visit)
  - Example 4 Commercial Insurance reimbursement: \$85 + \$5 insurer supplemental coronavirus related reimbursement (Report zero since insurer reimbursed for \$5 increased cost of post-pandemic office visit)
  - Example 5 COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured: \$80 (Report \$5 as expense attributable to coronavirus but unreimbursed by other sources)

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## Incremental expenses

- There are multiple options for calculating incremental expenses
  - Accumulating COVID-19 specific purchases and expenses
    - Personnel assigned to new COVID-19 specific tasks (temperature checks, screeners, etc...)
    - Personal protective equipment
    - COVID-19 capital purchases (ventilators, renovations, freezers, etc...)
    - Additional COVID-19 supplies
    - And more
  - Calculate incremental expenses on a line item by line item basis
  - Calculate incremental expense per patient visit and extrapolate across all patient visits for 2020

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## Example of IEC

Incremental Expenses		Incremental Revenue	
Operating Expenses 2019	\$ 14,000,000	Net Patient Service Revenue 2019	\$ 18,000,000
# of admissions	4,500	# of Admissions	4,500
Cost per Admission 2019	\$ 3,111	Revenue per admission 2019	\$ 4,000
Operating Expenses 2020	\$ 15,000,000	Net Patient Service Revenue 2020	\$ 17,500,000
# of admissions	4,300	# of Admissions	4,300
Cost per Admission 2020	\$ 3,488	Revenue per admission 2020	\$ 4,070
Incremental Cost per Admission	\$ 377	Incremental revenue per Admission	\$ 70
X# of Admissions 2020	4,300	X# of admissions 2020	4,300
Total Incremental Expense	1,622,222	Total incremental revenue	\$ 300,000

Net Unreimbursed Incremental Expenses  
1,322,222

Net Unreimbursed incremental expenses would then be allocated amongst the applicable expense categories

## Adjustments required to IEC

- Salary Limitation: **\$197,300**
- Property and Equipment
  - Can include full cost of COVID-19 specific capital purchases
- Do not include operating expenses for facilities that are not critical to providing patient care
- Cannot include revenue or expenses from durable medical equipment
- Cost reimbursement hospitals (e.g. Critical Access) are limited in incremental expenses

## COVID-19 specific capital items

- Below are specific examples described in the PRF FAQ's
  - Ventilators, computerized tomography scanners, and other intensive care unit- (ICU) 19 related equipment put into immediate use or held in inventory
  - Masks, face shields, gloves, gowns
  - Biohazard suits
  - General personal protective equipment
  - Disinfectant supplies
  - Upgrading a heating, ventilation, and air conditioning (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

## Taxes

### Can providers use Providers Relief Fund payment to pay taxes? (Added 12/11/2020)

Yes. HHS considers taxes imposed on Provider Relief Fund payments to be "healthcare related expenses attributable to coronavirus" that are reimbursable with Provider Relief Fund money, except for Nursing Home Infection Control Distribution payments.

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## Provider Relief Fund: Major Program Guidance

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Is your healthcare system subject to its first single audit as a result of receiving CARES Act subsidy?

Yes

No

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## Summary of CARES Act

- Provider Relief Fund
  - Qualifies as federal funding and triggered compliance audit requirements
  - Various distributions to healthcare providers starting in April 2020
  - Multiple CFDA's have been identified
    - Provider Relief Fund—93.498
    - Rural Health Clinic Testing—93.697
    - Uninsured COVID Testing and Treatment—93.461
    - Grants for New and Expanded Services under the Health Center Program—93.527

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## Level setting

### Definitions

- Catalog of Federal Domestic Aid (CFDA)
- Schedule of Federal Awards (SEFA)
- Office of Management and Budget (OMB)
- Uniform Guidance (UG)
- Governmental Auditing Standards (GAS)
- Generally Accepted GAS (GAGAS)
- Government Accountability Office (GAO)

### Definitions

- Non-federal entity
- Program audit
- GAS audit
- Single audit

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## Common compliance audit questions

- I am a for-profit health care company, what should I do? What are my options?
- What is a program specific audit and how do I qualify? Need to consider all sources (states/local governments)
- What does it mean to have an audit conducted in accordance with government auditing standards (GAS)?
- What is a single audit?

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## What is GAS (“GAGAS” or the “Yellow Book”)

- Issued by the GAO—applies to all audits performed to satisfy a federal audit requirement
- Builds on the requirements of GAAS
- Certain for-profit entities may be able to satisfy HHS audit requirements with a financial audit of the federal award(s) (program specific or GAS audit)
  - Uniform Guidance would not apply
  - Scope of audit still involves auditing compliance with laws and regulations material to the reported federal award(s)
    - Many of the same laws and regulations as would be addressed in the scope of an audit in accordance with Uniform Guidance

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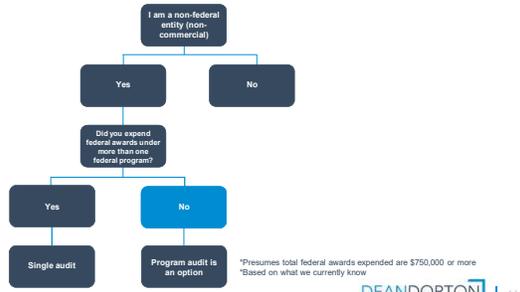
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## What are my options




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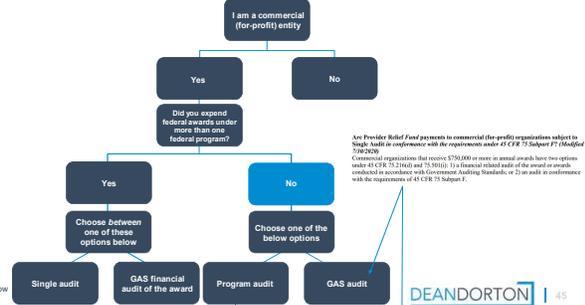
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## What are my options




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### Other potential oversight

- Office of the Inspector General (OIG)
- Program reviews
- Federal agency desk reviews
- Although the oversight differs in scope and method, findings during the audit are likely to impact other oversight and vice-versa

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### Fiscal yearend healthcare entities

- If you have a Fiscal year end (not a calendar year end) – you will include your provider relief funds on your FY2021 SEFA

Fiscal Yearend	SEFA Expenditure & Lost Revenue Reporting
On or before December 30, 2020	None
December 31, 2020	Based on December 31, 2020 PRF report
January 1, 2021 to June 29, 2021	Based on December 31, 2020 PRF report
June 30, 2021 and after	Guidance will be provided in 2021 Compliance Supplement

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### Provider Relief Fund Single Audit Compliance Requirements

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Estimating	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tracked Provisions
Y	Y	N	N	N	N	N	N	N	Y	N	N

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### Activities allowed/Allowable costs

- Used to prevent, prepare for, & respond to coronavirus, & that the payment shall reimburse the recipient only for health care-related expenses or lost revenues that are attributable to coronavirus
- 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
- Separate criteria for *Skilled Nursing Facility Infection Control Distribution* program

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### Do you feel prepared for compliance audits for your PRF funding?

Yes  
No

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### What to do now?

- Review award agreements and applicable information to ensure policies and procedures are adopted and are in compliance with federal guidelines
- Study the Terms and Conditions of the grants as well as the FAQ's issued by HHS
- Ensure transaction cycle controls are documented, in place and can be verified
- Ensure any reports that are submitted have auditable documentation
- Track expenses, lost revenues and any other applicable information
- Consider an audit readiness provider
- Start planning for an audit of the applicable award(s)

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