

# Key Insights and Tracking Tips for Economic Funds Relief

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# Welcome

- Thank you to all of you for joining us.
- To those in the health care industry, thank you for your work and the impact you are making! What all of you do is helping your Patients, Residents, Families, Employees and the Communities you all live and work in
- As you all are experiencing there are many unknowns we are all dealing with right now
- Our goal is to assist you in understanding what we do know, provide you with tips and insights that are informational, and how we may be help make your lives a bit easier



# Objectives

- Overview of allowable uses of economic relief funds
- Latest updates on terms and conditions from HHS
- Key tips and insights on effective tracking
- Preview of a tracking tool that can assist with compliance and future reporting



# Agenda

- State of play
- Paycheck Protection Program
- Health Care Provider Relief Fund
- Tips and Tools on Tracking, Accounting

# COVID-19 State-of-Play: Regulatory, Legislative

## Congress

- LAW: March 6: COVID-19 funding package #1, Coronavirus Preparedness and Response Supplemental Act (P.L. 116-123), enacted
- LAW: March 18: COVID-19 funding package #2, Families First Coronavirus Response Act (P.L. 116-127), enacted
- LAW: March 27: COVID-19 funding package #3, Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), \$2+ trillion dollar economic stimulus package, enacted
- LAW: April 24: COVID package #4, Paycheck Protection Act & Health Care Enhancement Act (P.L. 116-139)

## Administration

- March 13: President declares COVID-19 a national emergency
- March 13: CMS announces various 1135 waivers (now allowed because of declaration of emergency)
- Many, many waivers, guidance coming out from agencies daily related to the funding programs and/or flexibilities

# COVID-19 Package #3: Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136)

- Massive economic support act for business and individuals
- LOTS of various policies to assist business, individuals, states, municipalities totaling an estimated \$2 Trillion or more
  - SBA Lending Programs
  - Provider Relief Funds
  - Main Street Lending
- Enacted into law on March 27, 2020



The screenshot shows the CLA Connect website. The top navigation bar includes 'Locations', 'Directory', 'Contact Us', 'About Us', and 'Client Login'. The main menu features 'Industries', 'Services', 'Resources', 'Events', and 'Careers'. The page content is divided into several sections:

- WEALTH ADVISORY**  
OUTSOURCING  
AUDIT, TAX, AND CONSULTING
- COVID-19 Resource Center** (with a 'Learn More' button)
- We're here to help** (with a 'Contact Us' button)
- REGULATIONS**  
**CARES Act Signed Into Law: Includes an Estimated \$2 Trillion or More in Stimulus**  
By Chasbty Wilson and Rob Schile and Jennifer Boese and Todd Sprang and Yutiya Ostapenko  
3/27/2020
- Key insights**
- Social media sharing icons for LinkedIn, Facebook, Twitter, Email, and Print, along with a 'SHARE' button.

<https://www.claconnect.com/resources/articles/2020/senate-cares-act-includes-an-estimated-2-trillion-or-more-in-stimulus>

# COVID Package #4: Paycheck Protection Act & Health Care Enhancement Act (P.L. 116-139)

- Enacted April 24, 2020
- Total of \$484 Billion
  - \$310B for Paycheck Protection Program
    - \$250 billion unrestricted
    - \$60 billion set aside for smaller institutions
  - \$50 billion for EIDL loans + \$10 billion for EIDL Advance grants = \$60B for EIDL
  - \$75B for health care (same language as PHSSEF from CARES)
  - \$25B for testing (roughly half will go to states with rest divided up to other agencies/others)



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## Health Care Innovation and Insight | HI<sup>2</sup>

### More COVID-19 Relief Funds Coming

April 24, 2020 | by Jennifer Boese

There has been significant action this week on two fronts: Congress passed and the President signed into law a fourth package of funding totaling \$484 billion; and, the Department of Health & Human Services (HHS) announced how it would release \$70 billion to health care providers under the Public Health & Social Services Emergency Fund (PHSSEF).

We've got your run-down on both!

**Another COVID Package Enacted**

Congress passed and the President signed into law on April 24 another funding package. Personally, I want to call this COVID IV since, well, it's the fourth piece of funding



<https://blogs.claconnect.com/healthcareinnovation/more-covid-19-relief-funds-coming/>



# Paycheck Protection Program

Recent Developments & Forgiveness Considerations

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# Recent Developments

- FAQs #31 and #37 and IFR on 4/24 from Treasury
- “Economic Uncertainty” certification – new criteria
  - “[t]aking into account their current business activity and their ability to access other sources of liquidity to support ongoing operations in a manner that is not significantly detrimental to the business”
- If you returned ALL the loan before May 14<sup>th</sup>, no harm
- List of recipients will be publicly available



# Recent Developments (cont.)

- FAQ #46: How will SBA review borrowers' required good-faith certification concerning the necessity of their loan request?
- Answer: *".....SBA, in consultation with the Department of Treasury, has determined that the following safe harbor will apply.....Any borrower....with an original loan amount of less than \$2 million will be deemed to have made the required certification concerning necessity...."*
- Secretary Mnuchin announced that all loans over \$2 million will be subject to a "full review" in connection with forgiveness
  - Allowable uses
  - Forgiveness calculation
  - Eligibility
- If deemed ineligible, borrower is subject to fraud and criminal charges and fines/penalties
- FAQ #47: extends the safe harbor deadline for those who want to return PPP to May 18.



# What This Means for Borrowers

You own the certification and assertions in the PPP loan application, not your bank or advisors

If not already done, document support for all certifications/assertions *considering your mindset at date of application*

Consider revisiting based on current conditions

Consider consultations with attorney

Make decision to keep or repay the loan

# Forgiveness – Four Items to Consider

#1. Did the entity spend enough on allowable costs?

#2. Did the entity maintain FTEs? (includes re-hires thru 6/30)

#3. Did the entity maintain wages at least 75% of prior quarter? (excludes high earners)

#4. Was enough of that spending on payroll? (25% limit on non-payroll)

# Basics of Forgiveness

- Plan now to consider operational decisions that may impact forgiveness (rehires, furloughs, pay reductions)
- Forgiveness may be all, partial, or none
- Based on costs incurred and paid during 8 weeks
- Application and verification process
- Additional guidance pending from Treasury/SBA



# Health Care Provider Relief Funds:

Surveying the Knowns and Unknowns

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# CARES Act/PPP & HCE Act: Provider Relief Fund (\$175 B)

Formally called the Public Health & Social Services Emergency Fund

Reimbursement specific for health care providers

Some of the **statutory** requirements:

- Funds “to remain available until expended, to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers 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”
- Recipients must submit required reports and documentation as determined by HHS
- “Eligible health care providers” means public entities, Medicare or Medicaid enrolled suppliers and providers, and such for-profit entities and not-for-profit entities as determined by HHS within the United States (including territories), that provide diagnoses, testing, or care for individuals with possible or actual cases of COVID–19
- Funds may be used for building or construction of temporary structures, leasing of properties, medical supplies and equipment including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity



# Fund Allocations To Date (May 8, 2020)

## Provider Relief Fund (Allocations as of May 8, 2020)

General Distribution (\$50 B)	Hot Zones (\$12 B)	Rural Distribution (\$10 B)	Uninsured (No Dollar Amount)	Other (No Dollar Amount)
<p>First \$30 billion – went to providers/suppliers who received Medicare FFS reimbursement in 2019. Allocation formula: (2019 FFS/\$484 B) x \$30 B = expected distribution.</p> <p>Additional \$20 billion to these providers/suppliers based on revenues from cost report data on file with HHS.</p> <p>Combined these dollars are being reconciled as a Total Allocation based on the following formula: (Individual Provider “Revenue” /2,500,000,000,000) x \$50 B</p>	<p>Targeted at hospitals in areas heavily impacted by COVID.</p> <p>Using hospital-submitted data, HHS awarded funds to 395 hospitals that provided inpatient care for 100 or more COVID-19 patients through April 10. The distribution formula was based on a fixed amount per COVID-19 inpatient admission, with an additional amount (\$2 B total) distributed by taking into account those hospital’s Medicare and Medicaid disproportionate share and uncompensated care payments.</p>	<p>Rural hospitals (CAHs and rural PPS), Rural Health Clinics (RHC), &amp; Community Health Centers (CHC or FQHC) in rural areas</p> <p>Hospital’s received a base of \$1 million (or \$3 million if &gt; \$10 million in expenses) plus an additional percentage based on total operating costs.</p> <p>Each independent RHC &amp; CHC received a base of \$100,000 and an additional percentage based on operating costs.</p> <p>Provider-based RHCs payments were included with their hospital’s allocation.</p>	<p>These are claims-based reimbursements for dates of service or admittance on or after February 4, 2020.</p> <p>Reimbursements will be made for qualifying testing for COVID-19 and treatment/services with a primary COVID-19 diagnosis.</p> <p>Full details at <a href="http://www.hrsa.gov/coviduninsuredclaim">www.hrsa.gov/coviduninsuredclaim</a></p>	<p>“There are some providers who will received further, separate funding, including skilled nursing facilities, dentists, and providers that solely take Medicaid.”</p>

**Each release of funds requires attesting/certifying to a set of terms and conditions**



# General Distribution: Terms/Conditions (Excerpts of 11 pages)

## Acceptance of Terms and Conditions

- If you receive a payment from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief (“Relief Fund”) under Division B of Public Law 116-127 and *retain that payment for at least 30 days without contacting HHS regarding remittance of those funds, you are deemed to have accepted the following Terms and Conditions*. Please also indicate your acceptance below. This is not an exhaustive list and you must comply with any other relevant statutes and regulations, as applicable.
- **Important Term/Condition:** “The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.”

 DEPARTMENT OF HEALTH & HUMAN SERVICES

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Your commitment to full compliance with all Terms and Conditions is material to the Secretary’s decision to disburse these funds to you. Non-compliance with any Term or Condition is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

These Terms and Conditions apply directly to the recipient of payment from the Relief Fund. In general, the requirements that apply to the recipient, also apply to subrecipients and contractors under grants, unless an exception is specified.

Relief Fund Payment Terms and Conditions

- The Payment means the funds received from the Public Health and Social Services Emergency Fund (“Relief Fund”). The Recipient means the healthcare provider, whether an individual or an entity, receiving the Payment.
- The Recipient certifies that it billed Medicare in 2019; provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; is not currently terminated from participation in Medicare; is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs; and does not currently have Medicare billing privileges revoked.
- The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- The Recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- The Recipient shall submit reports as the Secretary determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients.
- Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than \$150,000 total in funds under the Coronavirus Aid, Relief, and

**HHS extended attestation deadline to 45 days from date of receipt**

# General Distribution: Terms/Conditions (Excerpts of 11 pages)

- “The recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources *or that other sources are obligated* to reimburse
  - No double dipping
- “The Recipient consents to the Department of Health and Human Services *publicly disclosing the Payment* that Recipient may receive from the Relief Fund. The Recipient acknowledges that such disclosure may allow some third parties to estimate the Recipient’s gross receipts or sales, program service revenue, or other equivalent information.
  - Public release of data
- “Shall maintain appropriate records and cost documentation including, as applicable, documentation required by **45 CFR § 75.302 – Financial management and 45 CFR § 75.361 through 75.365 – Record Retention and Access**, and other information required by future program instructions to substantiate the reimbursement of costs under this award.
  - Documentation and record retention
- None of the funds appropriated shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level II.
  - Federal pay level set at \$197,300 for 2020

# What We Know

**Q:** One of the terms and conditions requires certifying that an entity “provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19...” What is a “possible case” of COVID?

**A:** HHS states multiple times in its FAQs that “HHS broadly views every patient as a possible case of COVID-19.”

HHS also includes specific references to what is considered a “presumptive case” of COVID so it is delineating between “possible” and “presumptive.”

## Key Takeaway

- There is clarity that all individuals are considered “possible” COVID patients
- Be mindful of other statutory changes (under FFCRA etc.) that place restrictions on billing for COVID tests or for the uninsured.

# What We Know

Q: Is there a prohibition on balance billing?

A: Yes. HHS specifically includes this in the terms and conditions:

*...“for all care for a presumptive or actual case of COVID-19, Recipient certifies that it will not seek to collect from the patient out-of-pocket expenses in an amount greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network Recipient.”*

HHS provides additional clarification in its FAQs.

*...“presumptive case of COVID-19” is defined as “case where a patient’s medical record documentation supports a diagnosis of COVID-19, even if the patient does not have a positive in vitro diagnostic test result in his or her medical record.”*

HHS does not limit billing the patient’s health insurer for the amount, regardless of being in- or out-of-network. However, regardless of that outcome, the out-of-network provider can only bill the patient in an amount that is no greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

## Key Takeaway

- Only presumptive or actual cases fall under the balance billing prohibition.
- Our recommendation is not only to watch for specific COVID billing codes, but also medical records review to watch for documentation that support a COVID diagnosis.

# What We Know

Q: Are there any reporting requirements?

A: Yes. There are several statutorily required and terms/conditions specific to this.

1. HHS has a catch-all reporting requirement that indicates recipients will be required to submit whatever HHS determines is needed to ensure compliance with terms and conditions.
2. For those who receive more than \$150,000 in funds combined between all COVID relief packages, a quarterly reports on HHS funds is required. These reports are due within 10 days after the end of a quarter. The report must include:
  - total amount of funds received from HHS under any of the COVID funding packages
  - amount of funds received that were expended or obligated for each project or activity
  - a detailed list of all projects or activities for which large covered funds were expended or obligated

## Key Takeaway

- Be prepared to see these reports publically released (this is statutorily required) and used by HHS and other oversight bodies
- Tracking of funds, tracking use of funds and documentation/justification will be very helpful to you in complying with these requirements

# What We Know

Q: Is there the potential that HHS may recoup some of the PRF money?

A: Yes. HHS mentions recoupment multiple times throughout the terms/conditions as well as the FAQs. In general, recoupment would be based on failing to comply with the terms and conditions. Also, HHS specifically states in their FAQs that “HHS does not intend to recoup funds as long as a provider’s lost revenue and increased expenses exceed the amount of Provider Relief funding a provider has received.”

## Key Takeaway

- Make sure you can track your “lost revenue and increased expenses” back to COVID and that you have this documented/reasonable/justifiable. [Note: statute does not say “increased.” HHS added this.]
- Make sure you understand the terms/conditions applicable to the PRF funds you received

# What We Know

Q: What revenue data is HHS asking for related to March and April “lost revenues”?

A: HHS provides some insights into this question when it specifically states, “Lost revenue can be estimated by comparing year-over-year revenue, or by comparing budgeted revenue to actual revenue. For April 2020, an estimate of the total monthly loss based on data from the first few weeks in April or by extrapolation from March data is acceptable.”

You may use a reasonable method of estimating the revenue during March and April compared to the same period had COVID-19 not appeared. For example, if you have a budget prepared without taking into account the impact of COVID-19, the estimated lost revenue could be the difference between your budgeted revenue and actual revenue. It would also be reasonable to compare the revenues to the same period last year.

## Key Takeaway

- Estimating lost revenues for March and April appears straight forward, however given multiples terms used by HHS for “revenues” (i.e. “Gross Receipts or Sales”, “Net Patient Service Revenue”, etc.), it becomes unclear exactly what “revenue” number to use.
- HHS specific guidance on reporting “revenues” using filed tax return data specifies the line from the respective tax form to use for this number. For consistency purposes, we recommendation is to use the same method for estimating your revenue loss.
- As of today, HHS has provided no guidance for quantifying lost revenue beyond April.

# What We Know

Q: What is the Provider Relief Fund Portal and what data is HHS looking for?

A: HHS is collecting revenue data via the PRFP and all Providers who received a payment from the General Distribution as of 5:00 pm EST on April 24<sup>th</sup> AND Provider has filed a federal tax return for 2017, 2018 Or 2019 must upload the following 4 pieces of information:

- 1) “Gross Receipts or Sales” or “Program Service Revenue” as submitted on its most recently filed tax return.
- 2) Estimate lost revenues for March & April 2020 due to COVID.
- 3) A copy of providers most recently filed tax return
- 4) Listing of TINs of any of the providers subsidiary organizations that received relief funds but that DO NOT file separate tax returns

HHS indicates it needs this information to better understand a providers usual operations, loss revenue impact due to COVID-19, and verify self-reported information.

## Key Takeaway

- The multiple methods used in distributing the Provider Relief Fund payments has created confusion as to how payment amounts were derived, and what data HHS is actually looking for.
- FAQs indicate information from the Providers tax return, but the HHS portal link still says “Submit Cost Report”
- These inconsistencies are the result of the rapid rollout, and it appears HHS is going validate the General Distribution payments based on tax return information.



# What We Know

Q: Where can I find the “Gross Receipts or Sales’ or “Net Program Service Revenue” or revenue number HHS is looking for?

A: HHS has indicated where you find the “revenue” number to upload to the Provider Relief Portal will depend on the legal structure and corresponding tax return you file:

1. Partnership = IRS Form 1065 from Box 1a
2. C Corporation = IRS Form 1120 from Box 1a
3. S Corporation = IRS Form 1120-S from Box 1a
4. Tax-Exempt Organization = IRS Form 990 Part I, Line 9 “Program Services Revenue”
5. Trust Organization = IRS Form 1041 Box 1 of Form 1040 Schedule C
6. State Run/Gov’t Entity = No Tax Return “Net Patient Service Revenue” from most recent audited financial statements

## Key Takeaway

- These FAQs help to bring some level of clarity for how to report the “revenue” information HHS is looking for, however even within these guidelines there is differences among the source of information HHS outlines.
- For example, “Net Patient Service Revenue” from a non-tax return filing governmental entity could be different than “Program Service Revenue” reported on Part I, Line 9 for a tax-exempt organization in its IRS Form 990



# What We Know

Q: How should I report “Gross Receipts or Sales” or “Program Services Revenue” for subsidiaries that bill under their own tax identification number (TIN) and received their own payment?

A: HHS indicates separate TINs within your organization that **DO NOT** file a separate tax return, should be included in the reporting to HHS with the “Gross Receipts or Sales” or “Program Services Revenue” tax return information of the primary reporting TIN. Within the Provider Relief Portal, HHS has provided a specific spot where these TINs can be included.

Separate reporting through the Provider Relief Portal is required for each TIN within the organization that files a separate tax return.

## Key Takeaway

- Aggregating TINs and ensuring they are in agreement with the tax return they are included in will be important to ensuring the revenue information submitted to HHS is accurate.
- HHS hasn’t provided guidance, thus far, if a TIN changed reporting alignment from the most recently filed tax return to currently.
- For example, if TIN #1 was reported under an 1120 Corporate Return for the entity last year, but subsequently transferred to the Corporate 990 Return this year. It is unclear how revenue should be reported for TIN #1.

# What We Don't Fully Know

Q: What can I use the PRF funds for?

A: Statutorily, the CARES Act and PPP & HCE Act provide a list of acceptable uses. Those are “for building or construction of temporary structures, leasing of properties, medical supplies and equipment including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity.” Beyond this, HHS has not released clear guidance on what allowable use of these funds are.

However, we go back to a key term and condition: “The Recipient *certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus*, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.” We do not know whether funds can be used to make up “lost revenues” in general.

We do know there are other references in the terms and conditions to a wage cap (\$197,300); however, there is not clarity on whether use of funds for salaries & wages is limited to “increased costs” due to COVID or if routine salaries & wages may be included.

## Key Takeaway

- Accurate and specific tracking of COVID funds is essential
- Evaluating how and if a desired use of these funds relates specifically back to COVID
- Detailed reasoning and justification for your use of the funds based on your interpretation of what HHS has released to date
- Talk with your legal counsel

# What We Don't Fully Know

Q: If I can demonstrate lost revenue equal to or in excess of the distributions I've received, is that all I need to worry about?

A: The guidance is not clear on this.

HHS indicates: “

- *....the Payment shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.”*
- *“Recipient certifies it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.”*
- *“None of the funds appropriated in this title shall be used to pay the salary of an individual, through a grant or other extramural mechanism at a rate in excess of Executive Level II.”*

The qualifications used by HHS in the Terms & Conditions are broad, and lack clarity.

- How are “losses” defined?
- What defines “other sources are obligated to reimburse”?
- If an organization can justify the payments they received are adequate based on lost revenue, does the Executive Level II compensation limitation still apply?

## Key Takeaway

- Until better clarity is provided, CLA recommends tracking and documenting use of funds, regardless of the amount of lost revenue.
- Documentation should include conclusions reached as to how use of payments are in alignment with preventing, preparing for or responding to coronavirus.

# What We Don't Fully Know

Q: Is there a deadline by which I need to use my PRF funds?

A: Unlike the PPP program which has an 8 week usage period with respect to forgiveness, the PRF dollars do not have a prescribed deadline for usage (to date).

However, keep two things in mind:

- These funds were provided to quickly address the economic impact of the pandemic.
- There are required quarterly reports (if over \$150,000 in total COVID funds), and HHS could watch these for fund usage or lack of usage.

## Your Takeaway:

- There is no definite guidance on this, but our general recommendation is that the further out beyond 2020 you push, the higher the risk for raising a red flag to HHS.
- We suggest speaking with legal counsel on an approach that is reasonable to justify and you feel comfortable with related to your financial situation



# Tips and Tools on Tracking, Accounting

Surveying the Knowns and Unknowns

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# Accounting Treatment for Relief Efforts

## ADVANCED MEDICARE PAYMENTS

- Recorded as a current liability
- Record cash (asset)/deferred revenue (liability)
- As claims are reduced, decrease Deferred Revenue and reduce AR



## DEFERRAL OF SOCIAL SECURITY TAX

- Record expense and accrued SS tax as usual
- Upon payments of 50% at 12.31.21 and 12.31.22, reduce Accrued SS Tax and reduce Cash



- Book as a liability until bank formally issues its decision on how much will be forgiven
- Once the amount of forgiveness is known, the principal amount forgiven would be recognized as a contribution above the performance indicator.
- Be aware of covenant calculation implications! – **Consult and Confirm**

PHSSEF

PPP



# Tracking COVID-19 Related Expenses and Timelines

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- Document all potential and actual COVID-19 related expenses
- Maintain detailed accounting records to document/demonstrate use of funds
- Human Resources documentation
  - Dates and nature of employee absences, LOAs
  - Furloughs, lay-offs and staff schedules in resuming operations
  - Use of temporary help
  - OSHA Recordkeeping. Refer to the OSHA COVID-19 site for updates on recording and reporting requirements.
- Invoke incident reporting for any unexpected events in the care of patients
- Maintain meeting minutes (Board, Leadership, Risk Management, Health & Safety)
- Keep calendars of key dates and a narrative (to establish entity's state of mind, contemporaneous documentation)
- Consultation with attorneys, CPAs, bankers, associations

# Accounting Treatment for Relief Efforts

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## Tracking

Tracking of the expenditures related to these programs is extremely important and they need to start from the beginning.

- Option 1: create a separate bank account and use it only for receipts and payments related to the various relief measures
- Option 2: set up specific accounts to which only qualified expenses are charged and/or use a specified account segment
- Option 3: Set up a covid-19 department in the general ledger
- Option 4: Utilize a separate tracking tool to organize, inventory & monitor grant funds & usage



# CLA Sample Tracking Tool Guide

There are many reasons why you should maintain detailed records and track use of funds, such as:

- No double dipping across all these COVID relief funds
- Unclear and/or changing guidance, FAQs so tracking and detailing fund use helps you be prepared for forthcoming changes
- Can assist with separating out COVID-specific costs/expense/payments vs normal operations
- There are various reporting requirements with these funds
- A potential to “true-up” amounts and/or audit-related activities in the future
- One more tool in your toolbox to help document, justify and support your use of funds

COVID-19 EXPENDITURE TRACKER TABLE OF CONTENTS	
Economic Relief Spend Summary	
Allowable Cost Matrix	
SBA Paycheck Protection Program	
SBA Economic Injury Disaster Loan	
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Main Street Existing Lending Facility (MSELF)	
Public Health & Social Services Emergency Fund	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND TRANCHE #1 \$30B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND TRANCHE #2 \$20B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND RURAL HEALTH DISTRIBUTION \$10B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND TRANCHE TBD \$10B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND TRANCHE UNCOMPENSATED CARE & OTHER \$29.6B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND TRANCHE HIS \$400B	
PUBLIC HEALTH & SOCIAL SERVICE EMERGENCY FUND ADD'L \$75B IN FUNDING	
HEALTH RESOURCE ADMINISTRATION 1ST DISTRIBUTION	
HEALTH RESOURCE ADMINISTRATION 2ND DISTRIBUTION	
[INSERT ECONOMIC RELIEF FUNDING NAME]	
[INSERT ECONOMIC RELIEF FUNDING NAME 2]	
[INSERT ECONOMIC RELIEF FUNDING NAME 3]	
◀ ▶ Disclaimer TOC Economic Relief Spend Summary	
Ready	

# CLA's Sample Tracking Tool Guide

SUMMARY OF COVID-19 FEDERAL GOVERNMENT ECONOMIC RELIEF PACKAGES													
COVID-19 LEGISLATIVE FUNDING RELIEF PACKAGES													
SAMPLE EXPENSE CATEGORY:	SBA RELIEF		MAIN STREET LENDING PROGRAM		\$100B PUBLIC HEALTH & SOCIAL SERVICES EMERGENCY FUND DISTRIBUTIONS								
	PPP	EIDL	Main Street New Lending Facility	Main Street Expanded Loan Facility	Tranche #1: \$30B Based on Medicare Part A & Part B FFS	Tranche #2: \$20B Based on Providers Total Revenue	Tranche: TBD \$10B for Rural Provider Relief Fund	Tranche: TBD \$10B for COVID "Hot Spots"	Tranche: TBD \$29.6B for Uncompensated Care	Tranche: TBD \$400M for Indian Health Service Relief	\$75B PHSSEF Additional Funding	Health Resource & Services Administration #1	Health Resource & Services Administration #2
<i>If Funds Received Place an "X" in Cell</i>													
Total Compensation Related	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Benefits Related	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Utility Payments Related	-	-	-	-	-	-	-	-	-	-	-	-	-
Total COVID-19 Specific Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Facilities & Equipment Related Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Economic Relief Funds Expended</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Economic Relief Funds Awarded</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Economic Relief Funds Remaining</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Spending Ratio &amp; Allowability Analysis</b>													
Payroll & Benefits	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Utility, Facilities, & Equipment	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
COVID-19 Specific Costs	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>Total</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
	#DIV/0!												
<span>Disclaimer</span>   <span style="background-color: #e0f0e0;">Economic Relief Spend Summary</span>   <span>Allowable Cost Matrix</span>   <span>SBA PPP</span>   <span>SBA EIDL</span>   <span>MSNLF</span>   <span>MSELF</span>   <span style="background-color: #ffff00;">PHSSEF Payment &amp; Lost Rev. Calc</span>   <span>PHSSEF 1</span>   <span>PHS ...</span>													



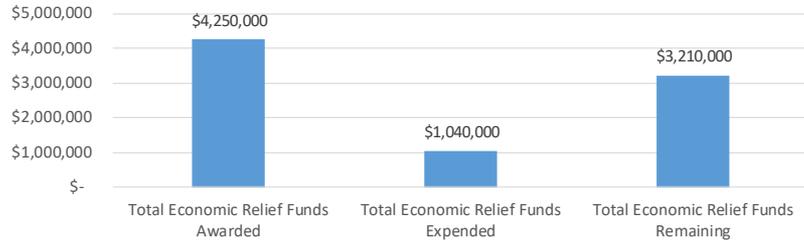
# CLA Tracking Tool: Grant Funding & Spending in a Glance

- The tool CLA has created allows for understanding total grant funding received, used and remaining in one simple graphic.

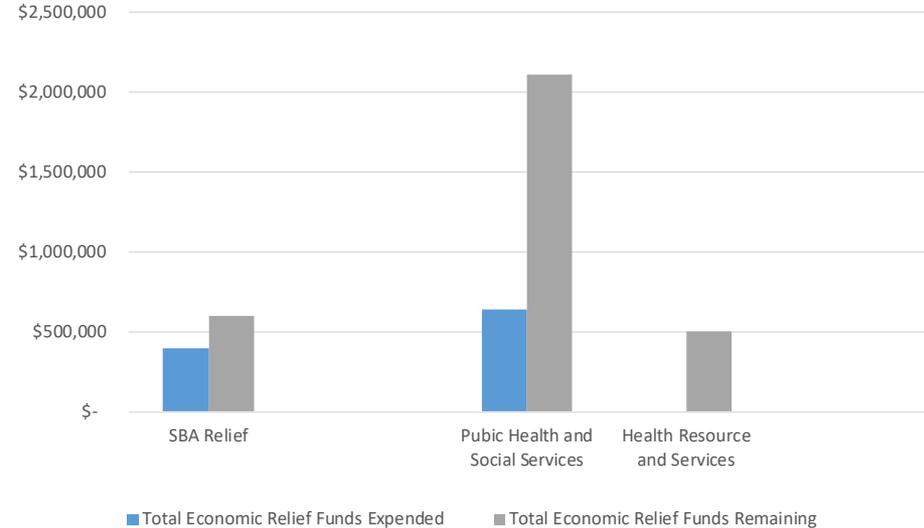
## COVID-19 Expenditure Dashboard

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Grand Totals



Summary of Major Programs



# CLA's Tracking Tool: Reporting Revenues to HHS

- The analytic at right depicts the calculation HHS is using total “revenue” in to arrive at the estimated payment amounts from the General Distribution.
- HHS has indicated if a Provider has reason to believe they have been overpaid or paid in error, they should reject the entire payment and submit appropriate revenue documentation through the Provider Relief Portal.
- HHS indicates submitting the correct data will help get the correct payment to the provider.
- However, before returning payment solely based on this calculation, Providers need to understand their lost revenue and costs incurred as a result of COVID-19.

Gross Receipts or Sales or Program Service Revenue:	CARES RELIEF FUND \$50B PAYMENT DETERMINATION CALCULATION	
<i>Select Organization Tax Return from Drop Down Menu*</i>		
<b>Form 990, Part I, Line 9 "Program Services Revenue"</b>		<b>125,000,000</b>
<i>Total Revenue All Providers in Pool Per HHS</i>	\$	<b>2,500,000,000,000</b>
<i>Your Organization Ratio to Total Provider Pool Revenue</i>		<b>0.0050000%</b>
<i>Tranche 1 &amp; Tranche 2 Distributions Total</i>		<b>50,000,000,000</b>
<b>YOUR ORGANIZATIONS CALCULATED PAYMENT</b>	\$	<b>2,500,000</b>
<b>YOUR ORGANIZATIONS PAYMENTS RECEIVED:</b>		
\$30B Tranche #1 Payment Amount		<b>1,250,000</b>
\$20B Tranche #2 Payment Amount		<b>1,300,000</b>
<b>TOTAL PAYMENTS RECEIVED</b>	\$	<b>2,550,000</b>
<b>EXCESS/(DEFICIT) PAYMENTS RECEIVED VS CALCULATED</b>	\$	<b>50,000</b>
<b>POTENTIAL OVERPAYMENT; CONSIDER DISCUSSING OPTIONS WITH YOUR LEGAL COUNSEL</b>		
<b>*Per HHS guidelines, use most recently filed tax return.</b>		

# CLA's Tracking Tool: Estimating Lost Revenue

- The analytic below provides a framework to quantify lost revenue as a result of COVID-19 utilizing the methodology prescribed by HHS.
- Lost revenues vary by type of health care organization but peak loss estimates we have heard are ranging in the 40% to 60% range.
- There is wide spread belief that lost revenues will continue into May, June and rest of the summer months for many.
- Thus far HHS has not provided any guidance on including lost revenue beyond April of 202.

COVID-19 LOST REVENUE CALCULATION PER HHS FAQs					
Calendar Month of Year	PY Actual Revenue	CY Budgeted Revenue	CY Actual Revenue	Increase (Decrease) PY Actual	Increase (Decrease) CY Budget
March	10,500,000	10,815,000	6,825,000	\$ (3,675,000)	\$ (3,990,000)
April	10,250,000	10,557,500	5,637,500	(4,612,500)	(4,920,000)
May				-	-
June				-	-
				-	-
				-	-
				-	-
<b>Total</b>	<b>\$ 20,750,000</b>	<b>\$ 21,372,500</b>	<b>\$ 12,462,500</b>	<b>\$ (8,287,500)</b>	<b>\$ (8,910,000)</b>
<b>Percent Change</b>				<b>-39.94%</b>	<b>-41.69%</b>



# Key Takeaways

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## TAKEAWAYS

- The economic relief programs have provided significant cash flow to many organizations
- Given the speed at which the legislation was put together, and funds distributed, many critical details are still missing
- Read the contracts, certifications and disclosure requirements very carefully – then monitor updates
- Consult with your tax, financial and legal advisors ahead of time and consistently thereafter – many uncertainties remain
- Receipt of funding signals the start of planning, strategy development and risk management - start **NOW** even though some things are still up in the air



# Stay Informed – COVID-19 Information Hub, HI<sup>2</sup> blog

The CLA COVID-19 Information Hub was developed to provide ease of access to relevant and timely information in six categories. High priority topics include:

- Paycheck Protection Program
- SBA – Economic Injury Disaster Loans
- Grant Resources
- Accounting Treatment



<http://blogs.claconnect.com/healthcareinnovation>



Unforeseen disruptions — from the coronavirus (COVID-19) to natural disasters — can create many uncertainties. These resources can help you lay out a strategy to put your organization on its toes versus its heels.

 Operational Support	 Regulatory and Tax Updates	 Inspirational and Leadership Tips
 Financial Management and Disaster Relief	 Accounting and Financial Statement Guidance	 Workforce and Human Resource Guidance

Join our multipart livestream series on Tuesdays and Thursdays to engage in the latest changes related to these uncertain times. You'll hear strategies for navigating what these developments mean for you.



[Watch a Livestream](#) →

<https://www.claconnect.com/COVID19>





THANK YOU!

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