

Provider Relief Funds: Demystifying Recent HHS Reporting Curveballs

October 8, 2020

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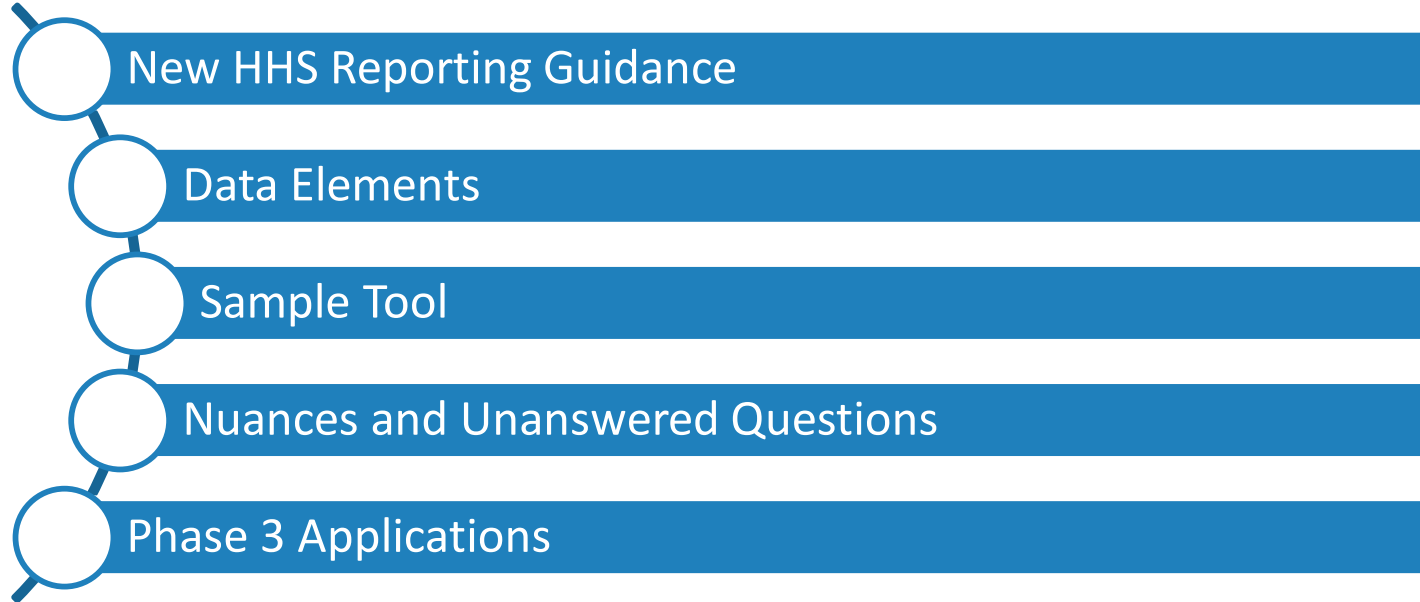
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Welcome

- Thank you to all of you for joining us
- To our attendees on the frontlines, thank you for your work and the impact you are making for your Patients, Residents, Families, Employees and Communities
- There are many unknowns related to Provider Relief Funds. Our goal is to assist you in understanding what we do know and provide relevant tips or insights

Agenda





HHS Reporting Guidance

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HHS Reporting Guidance/Data Elements Released

- Released over a weekend (9/19)
- Appears to change several key items from previous guidance/FAQs
 - Changes how to look at allowable “expenses” attributable to COVID
 - Changes how “lost revenue” is to be calculated
 - Changes how PRF dollars are to be staged for use
- **“Note:** Reporting Entities with unused funds after December 31, 2020, must submit a second and final report no later than July 31, 2021 that includes patient care related revenue amounts earned January 1–June 30, 2021”
 - Appears to change the deadline to use PRF funds to June 30, 2021 (final report deadline is still the same at July 31, 2021).

HHS Reporting Guidance/Data Elements Released


PRF reports will include four data elements:

1. Demographics of entity (TIN etc.)
2. Additional information (facility, staffing, CHOWs...)
3. Health care expenses attributable to COVID
4. Lost revenues from patient care attributable to COVID


<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/reporting-auditing/index.html>

Summary reporting requirements for recipients of the Provider Relief Fund (PRF)

Providers that receive PRF payments exceeding \$10,000 in aggregate are required to report their use of funds, as per the program Terms and Conditions


**Key dates and actions required:**

- **Jan. 15, 2021:** reporting portal opens for providers
- **Feb. 15, 2021:** first reporting deadline for all providers on use of PRF funds
- **July 31, 2021:** final reporting deadline for providers who did not fully expend PRF funds prior to December 31, 2020


**Guidelines for use of PRF funds:**

- PRF funds can be used in the following manner and order:
 - Expenses attributable to coronavirus that are not reimbursed or obligated to be reimbursed from other sources
 - Lost revenues, as represented by a change in net patient care operating income from 2019 to 2020 (revenue less expenses)

Required reporting data elements

**Lost revenues:**


- Revenue/net charges from patient care
- Revenue by patient care payor mix

**Expenses attributable to coronavirus:**


- General and administrative (G&A) expenses
- Healthcare-related expenses

For recipients of over \$500,000 in aggregate PRF payments, providers must provide a further expense breakdown that includes:


- Mortgage/rent
- Personnel
- Utilities
- Supplies
- Equipment
- ...and other high-level expense

**Basic organization information:**

- Taxpayer Identification Number
- National Provider Identifier (optional)
- Fiscal year end date
- Federal tax classification

**Other assistance received in 2020:**

- Paycheck Protection Program
- FEMA CARES Act
- CARES Act Testing
- Local/State/Tribal Government assistance
- Business insurance
- Other assistance

**Non-financial information:**

- Employees (i.e. total, re-hires)
- Patients (i.e. visits, admissions)
- Facility (i.e. staffed beds)

HHS Reporting Requirements

Applies To	Does <u>NOT</u> Apply To*
General Distribution Phase 1	COVID Uninsured Program (Claims-Based)
General Distribution Phase 2	Rural Health Clinic Testing Distribution
General Distribution Phase 3	Nursing Home Infection Control Distribution
Targeted Distributions <ul style="list-style-type: none"> - Rural - Skilled Nursing Facilities - COVID High impact - Safety Net Hospitals - Tribal Health Care Facilities 	<i>*HHS indicates additional reporting requirements may apply in the future</i>





Demographics, Other Data Elements

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Data Element: Demographics

- **Reporting Entity:** Entity (at the Tax Identification Number (TIN) level) that received one or more PRF payments. If the entity has subsidiary TINs that received General Distribution payments, regardless of whether the subsidiary or Reporting Entity formally attested to accepting the payment within the provider portal, the Reporting Entity may report on and direct the use of General Distribution payments. However, if a subsidiary TIN received a Targeted Distribution payment, the subsidiary TIN must report use of funds for that payment, and the parent organization that reports on a subsidiary's General Distribution payment cannot also report on (or transfer) the subsidiary's Targeted Distribution payment.
- **Tax Identification Number (TIN):** Reporting Entity's primary TIN associated with the provider who received the funds and accepted the PRF payment during attestation (the recipient). For some recipients, this may be analogous to Social Security number (SSN) or Employer Identification Number (EIN).
- **National Provider Identifier (NPI) [optional]:** The unique 10-digit numeric identifier for covered healthcare providers.
- **Fiscal Year-End Date:** Month in which the recipient reports its fiscal year-end financial results.
- **Federal Tax Classification:** Designated business type associated with the Reporting Entity's primary TIN used for filing taxes. Classifications include Sole Proprietor, Limited Liability Corporation (LLC), Partnership, C Corporation, S Corporation, Trust or Estate, or a tax-exempt organization or entity



Data Element: Additional (Non-Financial)

- Facility, Staffing and Patient Care
 - Personnel Metrics: Total personnel by labor category (full-time, part-time, contract, other: recipient must define), total re-hires, total new hires, total personnel separations by labor category.
 - Patient Metrics: Total number of patient visits (in-person or telehealth), total number of patients admitted, total number of resident patients.
 - Facility Metrics: Total available staffed beds for medical/surgical, critical care, and other beds.
- Change in Ownership Reporting Entities that acquired or divested of related subsidiaries indicate the change in ownership, whether the related TIN was acquired or divested, providing the following data points for each relevant TIN:
 - Date of acquisition/divestiture
 - TIN(s) included in the acquisition/divestiture
 - Percent of ownership for acquisition/divestiture
 - Did/do you hold a controlling interest in this entity? (Y/N)





Health Care Expenses

Two categories

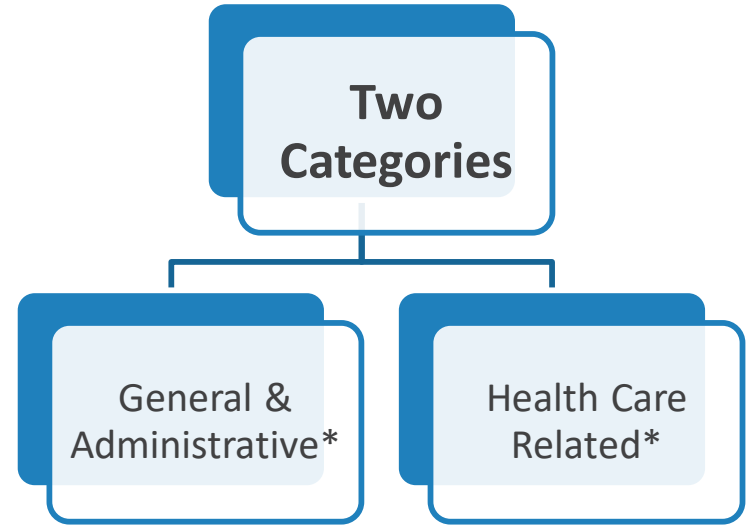
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Data Element: Expenses Attributable to COVID

** "...expenses attributable to coronavirus may be incurred in both direct patient care overhead activities related to treatment of confirmed or suspected cases of coronavirus, preparing for possible or actual coronavirus cases, maintaining healthcare delivery capacity which includes operating and maintaining facilities, etc."*

HHS Post-Payment Notice of Reporting Requirements
September 19, 2020, Footnoted to Both Expense Categories



General & Administrative Categories "Maintaining health care delivery capacity"	Health Care Expenses Categories
<ul style="list-style-type: none">• Mortgage/Rent• Insurance• Personnel• Fringe Benefits• Lease Payments• Utilities/Operations• Other General and Administrative Expenses	<ul style="list-style-type: none">• Supplies• Equipment• Information Technology (IT)• Facilities• Other Healthcare Related Expenses.

General & Administrative

Mortgage/Rent	Monthly payments related to mortgage or rent for a facility.
Insurance	Premiums paid for property, malpractice, business insurance, or other insurance relevant to operations.
Personnel	Workforce-related actual expenses paid to prevent, prepare for, or respond to the coronavirus during the reporting period, such as workforce training, staffing, temporary employee or contractor payroll, overhead employees, or security personnel.
Fringe Benefits	Extra benefits supplementing an employee's salary, which may include hazard pay, travel reimbursement, employee health insurance, etc.
Lease Payments	New equipment or software lease.
Utilities/Operations	Lighting, cooling/ventilation, cleaning, or additional third party vendor services not included in "Personnel".
Other General and Administrative Expenses	Costs not captured above that are generally considered part of overhead structure

Health Care Related Expenses

Supplies	Expenses paid for purchase of supplies used to prevent, prepare for, or respond to the coronavirus during the reporting period. Such items could include: personal protective equipment (PPE), hand sanitizer, or supplies for patient screening.
Equipment	Expenses paid for purchase of equipment used to prevent, prepare for, or respond to the coronavirus during the reporting period, such as ventilators, updates to HVAC systems, etc.
Information Technology (IT)	Expenses paid for IT or interoperability systems to expand or preserve care delivery during the reporting period, such as electronic health record licensing fees, telehealth infrastructure, increased bandwidth, and teleworking to support remote workforce.
Facilities	Expenses paid for facility-related costs used to prevent, prepare for, or respond to the coronavirus during the reporting period, such as lease or purchase of permanent or temporary structures, or to modify facilities to accommodate patient treatment practices revised due to coronavirus.
Any Other Healthcare Related Expense	Any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus.

COVID Expenses Need Clarification

- G & A is a new category under the reporting requirements
- Reporting requirements uses the phrase “maintaining health care delivery capacity” but that phrase has been used only once before in an FAQ for allowable uses which are much broader (see excerpt)
- Phase 3 application process, Step 6 describes what providers will need to report on. These buckets use language from earlier HHS FAQ which vary from the 9/19 reporting guidance categories

Ex: “Providers can use Provider Relief Fund payments **to cover any cost that the lost revenue otherwise would have covered**, so long as that cost prevents, prepares for, or responds to coronavirus. **Thus, these costs do not need to be specific to providing care for possible or actual coronavirus patients**, but the lost revenue that the Provider Relief Fund payment covers must have been lost due to coronavirus. **HHS encourages the use of funds to cover lost revenue so that providers can respond to the coronavirus public health emergency by maintaining health care delivery capacity**, such as using Provider Relief Fund payments to cover: • Employee or contractor payroll • Employee health insurance • Rent or mortgage payments • Equipment lease payments • Electronic health record licensing fees.. – HHS FAQ

6. Report on Use of Funds

All recipients of Provider Relief Fund payments are required to comply with the reporting requirements described in the [Terms and Conditions](#) and specified in future directions issued by the HHS Secretary.



HHS will require recipients to submit future reports relating to the recipient's use of Provider Relief Fund money.

Provider Relief Fund payments may be used to **cover lost revenue attributable to COVID-19 or health-related expenses** purchased to prevent, prepare for, and respond to coronavirus, including but not limited to:

- Supplies
- Equipment
- Workforce training
- Reporting COVID-19 test results to federal, state, or local governments
- Building or constructing temporary structures for COVID-19 patient care or non-COVID-19 patients in a separate area
- Acquiring additional resources, including facilities, supplies, or staffing to expand or preserve care delivery
- Developing and staffing emergency operation centers

Sample Calculation Example

(G&A + Health Care Expenses) – Other Reimbursements = Allowed

Category	Amount
G & A expenses	\$1,000,000
Health care expenses	 \$1,000,000
Sub-total	\$2,000,000
Other reimbursements	 \$500,000
Allowable Net COVID Expenses (PRF to be used to offset)	\$1,500,000

“(e.g., payments received from insurance and/or patients, and amounts received from federal, state or local governments, etc.)”

Health Care Related Expenses

- Entities receiving \$10,000 – \$499,999: Expenses attributable to coronavirus not offset by some other payment/reimbursement which are then aggregated into two buckets: (1) G&A expenses and (2) other healthcare related expenses.
- Entities receiving \$500,000 and up will be required to detail out the expenses included under G&A and other health care expenses



Key Changes, Questions

- Operational costs are now considered “expenses”
 - What exactly does this include? Incremental only or broader?
- Must back out any reimbursements received
 - Generic information on what this includes
- PRF funds must be used first on health care expenses
 - This is more prescriptive (and potentially restrictive) than previous guidance
 - Implications then for any potential FEMA or other grant applications to cover costs/expenses



Lost Revenues

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Data Element: Lost Revenues Calculation

Calculated on patient care revenue losses

“Patient care means health care, services and supports, as provided in a medical setting, at home, or in the community. It should not include: 1) insurance, retail, or real estate values (except for SNFs, where that is allowable as a patient care cost), or 2) grants or tuition.”

“Recipients may apply PRF payments toward lost revenue, up to the amount of their 2019 net gain from healthcare related sources. Recipients that reported 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”

“...calculate lost revenues attributable to coronavirus, represented as a negative change in year-over-year net operating income from patient care related sources. Once revenue information is provided, cost/expense impacts will be calculated based upon a calendar year comparison of 2019 to 2020 healthcare expenses to determine net operating income. Revenues and expenses in this section include all lost patient care revenues and patient care cost/expense impacts.”

-- HHS reporting guidance

Lost Revenues Calculation

HHS essentially looking at a “net patient care operating margin”

Total Revenue/Net Charges from Patient Care Related Sources (2019 and 2020):

Revenue/net charges from patient care (prior to netting with expenses) for the calendar years 2019 and 2020. Calendar year actual revenues will be entered by quarter (e.g., January–March 2019, April–June 2019, etc.)

- Will need to break out revenue from Patient Care By Payer Mix (2019 and 2020)
- Will need to report other COVID funding (CARES, PPP Loans, etc.) received plus business insurance and any other assistance
- Will be reported by quarter

Lost Revenues Calculation

Once HHS has the revenues then they'll look at costs/expenses based on the following (reported by quarter):

- **Total Calendar Year Expenses for 2019 and 2020**, in the following categories:
 - **General and Administrative Expenses (2019 and 2020)**. G&A expenses may include items such as monthly payments related to mortgage or rent for facility where reporting entity provides patient care services, other monthly finance charges for real property and/or property taxes, insurance premiums for property, employee health insurance, or malpractice insurance, overhead salaries, healthcare and contractor salaries, fringe benefits, lease payments, lighting, cooling/ventilation, cleaning, vendor services purchased from third party vendors, consulting support, legal fees, audit and accounting services, food preparation and supplies, logistics and transport or other costs not captured above, such as debt financing, for the relevant calendar year.
 - **Healthcare Related Expenses (2019 and 2020)** Healthcare related expenses may include items such as supplies, equipment, IT, facilities, employees, and other healthcare related costs/expenses for relevant calendar year.

Key Take-Aways

- Very different calculation of lost revenues
 - Year-over-year actual
 - Quarterly look
 - Patient care revenues
 - Allowed use of PRF funds will be capped at 2019 baseline quarter operating margin, or zero if baseline operating margin was a loss
- Approach is convoluted
- To the extent there are PRF dollars to apply to lost revenues, HHS does not provide guidance on how providers should treat those dollars (for accounting purposes etc.)





Sample Tool: Trying to Pull it Together

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Step 1 - Direct COVID Expenses

General & Administrative Expenses:

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

Total G&A Expenses Incurred

Healthcare Related Expenses Attributable to Coronavirus:

Supplies
Equipment
Workforce Training
Test Results of Covid-19
Emergency Operations Center
Staffing necessary to expand health care delivery
Other Healthcare Related Expenses

Total Healthcare Related Expenses Attributable to Coronavirus:

Less: G&A Salaries > \$197,300

Less: Healthcare Related Salaries > \$197,300

Total Compensation > \$197,300

COVID Related Expenses Before Reimbursements

Reimbursement Received from Other Sources

Payments Received from Insurance
Payments Received from Patients
Federal Government Support
State or Local Government Support
Other Payments Received Obligated/Intended to Offset Costs

Total Reimbursements Received from Other Sources

NET ALLOWABLE COVID RELATED EXPENSES

CALENDAR YEAR 2020						
1 January	2 February	3 March	4 April	5 May	6 June	Grand Total
						-
						-
		25,000	25,000	25,000	25,000	100,000
						-
						-
						-
						-
\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 100,000
-	60	5,968	476	2,447	-	8,951
-	-	3,277	3,091	3,250	10,123	19,742
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	362	584	-	947
\$ -	\$ 60	\$ 9,246	\$ 3,930	\$ 6,281	\$ 10,123	\$ 29,640
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 60	\$ 34,246	\$ 28,930	\$ 31,281	\$ 35,123	\$ 129,640
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,000	2,000
-	-	-	-	-	-	-
-	60	9,246	3,930	6,281	10,123	29,640
\$ -	\$ 60	\$ 9,246	\$ 3,930	\$ 6,281	\$ 12,123	\$ 31,640
\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 23,000	\$ 98,000



Step 2 - Calculation of Lost Revenue

Net Charges from Insurers & Patients

	CALENDAR YEAR 2020						
	January	February	March	Quarter Total	April	May	June Quarter Total
Medicare Part A & B	1,118,926	1,101,549	838,106	3,058,580	621,802	933,569	1,780,670
Medicare Part C	220,300	314,993	495,421	1,030,714	86,461	285,294	295,618
Medicaid	343,350	281,723	430,198	1,055,271	346,952	558,445	475,222
Commercial Insurance	1,357,204	1,304,612	992,630	3,654,446	719,250	560,356	611,304
Self-Pay/No Insurance	161,333	175,084	147,225	483,642	127,221	144,519	163,727
Other	-	-	-	-	-	-	-
Total Patient Care Revenue	\$ 3,201,112	\$ 3,177,961	\$ 2,903,580	\$ 9,282,653	\$ 1,901,686	\$ 2,482,183	\$ 3,326,542

Others Sources of Assistance Received

SBA PPP or Similar SBA Funding	-	-	-	-	192,308	384,615	384,615	961,538
FEMA	-	-	-	-	-	-	-	-
CARES Act Testing	-	-	-	-	-	-	-	-
Local, State or Tribal Assistance	-	-	-	-	-	-	-	-
Business Insurance	-	-	-	-	-	-	-	-
Other Federal or Local COVID Related Assistance	-	-	-	-	-	-	-	-
Total Other Sources of Assistance	\$ -	\$ -	\$ -	\$ -	\$ 192,308	\$ 384,615	\$ 384,615	\$ 961,538.46
TOTAL PATIENT CARE REVENUE & OTHER ASSISTANCE	\$ 3,201,112.29	\$ 3,177,961	\$ 2,903,580	\$ 9,282,653	\$ 2,093,994	\$ 2,866,798	\$ 3,711,157	\$ 8,671,948.96

Underlying assumption that other funding sources will be required to offset lost revenue calculation, however guidance vague



Step 2 - Calculation of Lost Revenue (continued)

	Quarter							Quarter
	January	February	March	Total	April	May	June	Total
Less: General & Administrative Expenses								
Mortgage/Rent Payment	1,000	6,632	6,632	14,264	6,632	6,632	6,632	19,896
Insurance	71,814	53,454	(69,436)	55,832	61,094	53,262	(7,656)	106,700
Personnel	379,647	413,944	407,225	1,200,816	412,516	429,740	387,258	1,229,515
Fringe Benefits	133,800	127,693	130,194	391,687	130,381	133,964	154,549	418,895
Purchased Services	121,921	120,405	125,982	368,308	111,679	114,727	100,359	326,764
Supplies	25,174	28,565	25,870	79,608	17,410	14,966	19,579	51,954
Lease Payments	31,924	45,465	32,464	109,852	47,005	27,150	21,567	95,722
Equipment	2,123	4,939	787	7,850	1,804	12,604	10,684	25,092
Utilities/Operations	69,391	69,487	54,042	192,921	55,264	54,517	50,251	160,032
Other	182,976	165,790	158,431	507,197	161,343	139,937	156,514	457,794
Debt Financing Costs	140,360	139,988	139,614	419,962	139,238	138,860	138,480	416,578
Total G&A Related Expenses	\$ 1,160,129	\$ 1,176,362	\$ 1,011,805	\$ 3,348,297	\$ 1,144,365	\$ 1,126,358	\$ 1,038,217	\$ 3,308,940
Add: Healthcare Related Expenses								
Personnel	817,811	823,150	889,948	2,530,909	897,916	927,530	850,234	2,675,680
Fringe Benefits	243,039	249,834	244,082	736,955	245,219	243,306	280,326	768,851
Purchased Services	463,491	416,724	442,847	1,323,061	372,537	485,491	399,634	1,257,662
Supplies	152,908	198,063	141,051	492,021	164,165	142,455	212,256	518,877
Utilities/Operations	58,091	53,012	65,349	176,452	43,634	50,653	47,765	142,052
Lease Payments	24,553	19,246	18,778	62,578	21,869	24,648	24,411	70,928
Equipment	4,937	2,524	3,081	10,542	1,490	3,445	92	5,027
Facilities (Depreciation?)	369,742	370,426	368,745	1,108,914	369,439	372,735	370,236	1,112,409
Other	54,578	58,732	49,734	163,045	39,879	35,158	48,812	123,849
Total Healthcare Related Expenses	\$ 2,189,150	\$ 2,191,711	\$ 2,223,615	\$ 6,604,476	\$ 2,156,149	\$ 2,285,420	\$ 2,233,766	\$ 6,675,335
Total Expenses	\$ 3,349,279	\$ 3,368,073	\$ 3,235,421	\$ 9,952,773	\$ 3,300,514	\$ 3,411,779	\$ 3,271,983	\$ 9,984,275
Less: Covid Direct Expenses	-	(60)	(34,246)	(34,305)	(28,930)	(31,281)	(35,123)	(95,335)
Less: Salaries > \$197,300	(17,196)	(138,292)	(43,136)	(198,623)	(28,112)	(27,849)	(48,642)	(104,603)
Total Compensation > \$197,300	\$ (17,196)	\$ (138,351)	\$ (77,381)	\$ (232,928)	\$ (57,042)	\$ (59,130)	\$ (83,766)	\$ (199,938)
NET EXPENSES	\$ 3,332,083	\$ 3,229,722	\$ 3,158,039	\$ 9,719,845	\$ 3,243,471	\$ 3,352,648	\$ 3,188,217	\$ 9,784,337



Pulling It All Together

Example Hospital
ANALYSIS OF PRF PAYMENTS & COVID EXPENSES
AND LOST REVENUES DUE TO COVID
PER HHS GUIDANCE RELEASE 9/19/20

QUANTIFYING COVID RELATED DIRECT EXPENSES

COVID Expenses Incurred	COVID Expenses YTD 6/30/20
PRF General Distribution Payments Received	\$ 900,000
PRF Targeted Distribution Payments Received	3,500,000
Total PRF Payments Received	\$ 4,400,000
Less: 2020 Allowable COVID Expenses	(98,000)
Remaining PRF Payments Available to Offset Lost Revenue	\$ 4,302,000

QUANTIFYING LOST REVENUES DUE TO COVID-19

Lost Revenues Due to COVID	Qtr. Ending March 31 (Actual)		Qtr. Ending June 30 (Actual)		Qtr. Ending Sept 30 (Projected)		Qtr. Ending Sept 30 (Projected)		Calendar Year Ending Dec. 31,	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating Margin/(Loss) Incurred	\$ (437,191)	\$ (172,340)	\$ (1,112,388)	\$ 495,031	\$ 300,000	\$ 100,000	\$ 300,000	\$ 100,000	\$ (949,579)	\$ 522,691
Max. Allowable Operating Margin w/PRF Payments	-		495,031		100,000		100,000		522,691	
Required PRF Payments to Achieve Max. Allowable Operating Margin	\$ 437,191		\$ 1,607,419		\$ -		\$ -		\$ 1,472,270	
Less: Remaining Unapplied PRF Payments	(4,302,000)		(3,864,809)		(2,257,389)		(2,257,389)		(4,302,000)	
(Excess)/Deficient PRF Payments vs. COVID Expenses & Lost Revenues	\$ (3,864,809)		\$ (2,257,389)		\$ (2,257,389)		\$ (2,257,389)		\$ (2,829,730)	

Beware: Quarterly vs.
Annual Results in Two
Significantly Different
Answers!





Nuances to Understand

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Key Considerations: TINs Matter, Distributions Matter

- For organizations with multiple TINs and/or subsidiaries it will be important to understand how those all fit together and which subsidiaries roll-up into tax returns.
- HHS has made PRF payments to “Parent Reporting TINs” as well as “subsidiary TINs” – these are not always the same.
- In addition, it is important to understand which TIN received with type of distribution:
 - General Distribution
 - Targeted Distribution
- More flexibility with transferring General Distributions across subsidiaries – but the can't transfer Targeted Distributions
- Additional clarification needed on how this works for reporting purposes



Key Consideration: TINs/Distributions

HHS FAQ: In the case of a parent organization with multiple billing TINs that may have each received a General Distribution payment, may the parent organization attest to the Terms and Conditions and keep the payments? (Modified 7/23/2020)

Yes, the parent organization with subsidiary billing TINs that received General Distribution payments may attest and keep the payments as long as providers associated with the parent organization were providing diagnoses, testing, or care for individuals with possible or actual cases of COVID-19 on or after January 31, 2020 and can otherwise attest to the Terms and Conditions. The parent organization can allocate funds at its discretion to its subsidiaries. ***If the parent organization would like to control and allocate Provider Relief Fund payments to its subsidiaries, the parent organization must attest to accepting its subsidiaries' payments and agreeing to the Terms and Conditions.***

Under demographic information in the Sept. 19 Reporting Guidance, HHS appears to relax these requirements particularly for General Distributions.

Reporting Entity: Entity (at the Tax Identification Number (TIN) level) that received one or more PRF payments. ***If the entity has subsidiary TINs that received General Distribution payments, regardless of whether the subsidiary or Reporting Entity formally attested to accepting the payment within the provider portal, the Reporting Entity may report on and direct the use of General Distribution payments.*** However, if a subsidiary TIN received a Targeted Distribution payment, the subsidiary TIN must report use of funds for that payment, and the parent organization that reports on a subsidiary's General Distribution payment cannot also report on (or transfer) the subsidiary's Targeted Distribution payment.



Key Consideration: TINs/Distributions

Description	TIN	PROVIDER RELIEF FUND PAYMENTS					COVID IMPACT			+ / (-) vs PRF Payments
		Total GD	Rural Hosp	SNF	Total Targeted	Grand Total	Lost Revenue	COVID Expenses	Total COVID Impact	
XYZ Health System	XX-XX45	\$ 6,000,000	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 11,500,000	\$ 9,750,000	\$ 6,000,000	\$ 15,750,000	\$ 4,250,000
ABC Subsidiary	XXXXX	500,000	-	-	-	500,000	6,750,000	25,000	6,775,000	6,275,000
DEF Subsidiary	XXXXX	650,000	-	-	-	650,000	3,700,000	-	3,700,000	3,050,000
HIJ Subsidiary	XXXXX	125,000	-	-	-	125,000	1,930,000	-	1,930,000	1,805,000
Total for Reporting Entity		\$ 7,275,000	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 12,775,000	\$ 22,130,000	\$ 6,025,000	\$ 28,155,000	\$ 15,380,000
ABC Entity	XX-XX57	\$ 1,250,000	\$ -	\$ -	\$ -	\$ 1,250,000	\$ 1,825,000	\$ 325,000	\$ 2,150,000	\$ 900,000
Subsidiary 1	XXXXX	360,000	-	4,750,000	4,750,000	5,110,000	1,250,000	135,000	1,385,000	(3,725,000)
Subsidiary 2	XXXXX	275,000	-	-	-	275,000	800,000	-	800,000	525,000
Total for Reporting Entity		\$ 1,885,000	\$ -	\$ 4,750,000	\$ 4,750,000	\$ 6,635,000	\$ 3,875,000	\$ 460,000	\$ 4,335,000	\$ (2,300,000)
HIJ Entity		\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000	\$ 2,750,000	\$ 350,000	\$ 3,100,000	\$ 2,350,000
Subsidiary 1		250,000	-	-	-	250,000	1,245,000	75,000	1,320,000	1,070,000
Total Reporting Entity		\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 3,995,000	\$ 425,000	\$ 4,420,000	\$ 3,420,000
Grand Total		\$ 10,160,000	\$ 5,500,000	\$ 4,750,000	\$ 10,250,000	\$ 20,410,000	\$ 30,000,000	\$ 6,910,000	\$ 36,910,000	\$ 16,500,000





Areas Needing Clarity

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A Few Questions (From a List of Many)

- How broad is G&A expenses as a category?
- Will lost revenue calculations be looked at by quarter or the full year?
- Is depreciation expense allowable?
- There are several items included in the definition of “expense” that are technically not expenses. Is it HHS’s intent to include these items as part of COVID expenses not reimbursed by other sources?
 - Mortgage payments – a portion is principal
 - Equipment – if over a certain dollar threshold would be considered capital
 - Lease payments for equipment & software – including capital leases?
- How do we handle treatment of CHOWs from 2019, 2020?
- How do we handle joint venture revenues from 2019, 2020?





But Wait, There's More! Phase 3 General Distribution!

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Provider Relief Fund (Allocations as of Sept. 29, 2020)

General Distribution Phase 1	General Distribution Phase 2	Uninsured	Targeted Distributions
<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 two distributions, originally referred to as Tranche 1 & 2, are designed to add up to 2% of 2018 net revenues.</p>	<p>On June 9 and in early July, HHS announced the release of \$15 billion to those that participate in Medicaid/CHIP and then dental providers.</p> <p>On August 10, HHS announced Phase 2 applications would also be opened up to address certain situations where providers were ineligible, failed to apply for or rejected funds.</p> <p>On September 2, HHS announced assisted living facilities were eligible for this distribution.</p> <p>Phase 2 applications were accepted through September 13 via the PRF Application and Attestation Portal https://cares.linkhealth.com/#/</p>	<p>These are claims-based reimbursements for dates of service or admittance on or after Feb. 4, 2020.</p> <p>Reimbursements will be made for qualifying testing for COVID-19 and treatment and services with a primary COVID-19 diagnosis. Full details at www.hrsa.gov/coviduninsuredclaim</p>	<ul style="list-style-type: none"> • Rural Distributions (\$12B). Rural hospitals (CAHs, rural PPS), Rural Health Clinics (RHC), & Community Health Centers (CHC or FQHC) in rural areas received a distribution on May 10. Another \$1 billion was released on July 10 to 500 other special rural Medicare designation hospitals in urban areas and in small but non-rural communities. • High Impact (\$22B – Round 1, 2). Targeted at hospitals in areas heavily impacted by COVID. Using hospital-submitted data, HHS awarded Round 1 on May 1 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. Round 2 was released on July 17 to 969 hospitals that had 161 COVID patients by June 10 and received \$50,000/patient • Skilled Nursing Facilities (\$9.9B). On May 21, HHS released \$4.9 billion to SNFs with at least 6 or more beds. Each SNF received \$50,000 plus \$2,500 per bed. On July 22, HHS announced an additional \$5 billion -- \$2.5 B was released on Aug. 27. Another \$2B to be released via incentive payment program with \$500M/month (Sept. – Dec.) • Indian Health Services (\$500M). On May 22, Indian Health Services, tribal, and urban Indian health programs, including IHS and Tribal hospitals received funds • Safety Net Hospitals (\$12.8B + \$1.4B). On June 9, HHS announced the release of \$10 billion to certain hospitals and on July 10, another \$3 billion was distributed. All total, 958 hospital received these funds. On Aug. 14, HHS announced the release of \$1.4 billion to roughly 80 free-standing children's hospitals.

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



HHS Announces Phase 3 Application on October 1

- HHS announced another round of \$20 B
- Applications begin on October 5, closes November 6
- HHS encourages applications sooner rather than later
 - Main webpage: <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/for-providers/index.html>
 - Application Instructions: <https://www.hhs.gov/sites/default/files/provider-distribution-instructions.pdf>
 - Also refer to HHS FAQs: <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/faqs/index.html>



Eligible Providers

Either:

- a. Must have either (i) directly billed their state Medicaid/CHIP programs or Medicaid managed care plans for health care-related services during the period of January 1, 2018 to March 31, 2020, or (ii) own (on the application date) an included subsidiary that has either directly billed their state Medicaid/CHIP programs or Medicaid managed care plans for health care-related services during the period of January 1, 2018 to March 31, 2020; or
- b. Must be a dental service provider who, as of March 31, 2020, has either (i) directly billed health insurance companies for oral health care-related services, or (ii) owns (on the application date) an included subsidiary that has directly billed health insurance companies for oral health care-related services; or
- c. Must be a licensed dental service provider who does not accept insurance and has, as of March 31, 2020, either (i) directly billed patients for oral health care-related services, or (ii) who owns (on the application date) an included subsidiary that does not accept insurance and has directly billed patients for oral health care related services; or
- d. Must have billed Medicare fee-for-service during the period of January 1, 2019 and March 31, 2020;

Eligible Providers

- e. Must be a Medicare Part A provider that experienced a change in ownership that was approved by the Centers for Medicare & Medicaid services by August 10, 2020 and billed Medicare fee-for-service during the period of January 1, 2019 and March 31, 2020; or
- f. Must be a state-licensed/certified assisted living facility as of March 31, 2020; or
- g. Must be a behavioral health provider who, as of March 31, 2020, has either (i) directly billed health insurance companies for health care-related services, or (ii) owns (on the application date) an included subsidiary that has directly billed health insurance companies for health care-related services; or
- h. Must be a behavioral health provider who does not accept insurance and has, as of March 31, 2020, either (i) directly billed patients for health care-related services, or (ii) who owns (on the application date) an included subsidiary that does not accept insurance and has directly billed patients for health care-related services; or
- i. Must have received a Targeted Distribution payment

Additional Eligibility Requirements

- Must have either (i) filed a federal income tax return for fiscal years 2017, 2018 or 2019 if in operation before January 1, 2020 or quarterly tax returns for fiscal years 2020 if operations began on or after January 1, 2020 or (ii) be an entity exempt from the requirement to file a federal income tax return and have no beneficial owner that is required to file a federal income tax return. (e.g. a state-owned hospital or health care clinic); and
- Must have provided patient care after January 31, 2020; and
- Must not have permanently ceased providing patient care directly, or indirectly through included subsidiaries; and
- If the applicant is an individual that was providing patient care have gross receipts or sales from providing patient care reported on Form 1040, Schedule C, Line 1, excluding income reported on a W-2 as a (statutory) employee



Phase 3 Application

- Provider Information (TINs etc.)
- Operating Revenues
- Operating Expenses
- Banking information

REVENUES

(10) Revenues: \$ _____
(11) Fiscal Year of Revenues: _____
(12) Percentage of Revenue from Patient Care: _____ %

13. OPERATING REVENUES FROM PATIENT CARE

(13.1) 2020 Q1 (Jan 1 – Mar 31): _____ (13.2) 2020 Q2 (April 1 – June 30): _____
(13.3) 2019 Q1 (Jan 1 – Mar 31): _____ (13.4) 2019 Q2 (April 1 – June 30): _____

14. OPERATING EXPENSES FROM PATIENT CARE

(14.1) 2020 Q1 (Jan 1 – Mar 31): _____ (14.2) 2020 Q2 (April 1 – June 30): _____
(14.3) 2019 Q1 (Jan 1 – Mar 31): _____ (14.4) 2019 Q2 (April 1 – June 30): _____

SUPPORTING DOCUMENTS

(15) Upload Revenues Worksheet (if required): _____ (16) Upload Federal Tax Form: _____
(17) Upload supporting documents for 2019 Q1-Q2 operating revenues and expenses from patient care: _____ (18) Upload supporting documents for 2020 Q1-Q2 operating revenues and expenses from patient care: _____

Phase 3 - Excerpt of HHS FAQs

What is “operating revenues from patient care?” (Added 10/5/2020)

HHS considers “operating revenues from patient care” to be net patient service revenue from the delivery of health care services directly to patients. “Net patient service revenue” is defined as gross charges for patient services delivered, minus contractual adjustments from all third party payors, charity care adjustments, bad debt, and any other discounts or adjustments necessary to arrive at net patient service revenue.

What is “operating expense from patient care?” (Added 10/5/2020)

HHS considers “operating expenses from patient care” to be the operating expenses incurred as part of the delivery of care, including salaries, benefits, medical supplies, contracted and/or employed physicians, interest, and depreciations. Operating expenses from patient care do not include any non-operating expenses, such as costs incurred on any rental property as well as contributions made, gains, and/or losses on investments.

<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/faqs/index.html>



Phase 3 - Excerpt of HHS FAQs

What will be the methodology/formula used to calculate provider payment in Phase 3? (Added 10/5/2020)

Providers will be paid a percentage of their change in operating revenues from patient care minus their operating expenses from patient care. HHS will calculate payments for providers that began providing patient care partway through 2019 or in 2020, and, therefore, do not have data from all of the requested quarters, based on the applicant's financial information that is available and data from the same type of provider as the applicant. The actual percentage paid to providers will be in part dependent of how many providers apply in Phase 3, and will be determined after the application deadline. Payments will also take into account funds received as part of previous Targeted Distributions. Providers that have not yet received and kept a payment that is approximately 2% of annual revenue from patient care as part of the General Distribution will receive at least that amount as part of their Phase 3 payment. Providers that began providing patient care in 2020 will be paid approximately 2% of patient care revenue based on the applicant's reported financial information for those months in 2020 that they were in operation.





Closing Thoughts!

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What Can You Do Now?

- Understand your TINs and the PRF distributions they received
- Inventory PRF & other CARES Act, Federal, State, or Local payments
- Re-evaluate “lost revenues” based on revised HHS definitions
 - “Patient care revenues less patient care expenses” – exclude “Other Operating Revenue” and any associated expenses
 - Baseline will be 2019 compared to 2020 actual (broken down by calendar quarters)
 - Determine “Caps” for use of PRF to offset lost revenues
- Identify “Health Care Related Expenses” (G&A, Health Care) and organize according to HHS definition. Consider modeling out a range of expenses
- Review Phase 3 application instructions and consider whether to apply
- Watch for more HHS guidance
- Turn to CLA! We are here to know you and help you.



CLA COVID-19 Resource

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

CLA's HI² blog provides health care specifics information and insights on a host of issues.



<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.



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>





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THANK YOU!

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