



High-Level COVID-19

# Financial Guide For Hospitals

Information current as of April 2, 2020

# Table of Contents

- Healthcare Trends – 2020 – COVID-19
- So much information available... What should we do?
- Summary of CARES Act Applicable to Hospitals
- Further Thoughts...
- Appendix
  - Medicare Accelerated Payment Request Information

# Healthcare Trends

A close-up photograph of a healthcare professional's hand in teal scrubs gently holding an elderly patient's hand. The patient's hand is wrinkled and has a silver ring on the ring finger. In the background, another person's hand is visible, holding several white pills. The scene is set in a clinical or hospital environment.

2020

# One word may sum up trends in 2020: COVID-19

As of the end of March 2020, there is so much uncertainty involving all Americans including the physical and emotional wellbeing of all of us, all industries, and personal financial circumstances, but most importantly at the center of this crisis is healthcare and the great many providers of all types that provide healthcare to our local cities, towns, and regions.

On March 27, 2020, the Coronavirus Aid, Relief, and Stimulus Act (CARES Act) of 2020 was passed and includes over \$1 trillion in U.S. Federal Government Financial Assistance, as well as other provisions, which are intended to stimulate the economy during this period of economic downturn following the initial COVID-19 pandemic of 2020.

Although it can not be predicted what type of impact that the CARES Act will have on the U.S. economy, the package includes in the CARES was intended to provide both economic and operational business relief to many individuals and industries throughout the country.

From a financial standpoint, there are great uncertainties surrounding what this may bring in the future, but as new regulations and changes unfold daily we wanted to provide a few thoughts of potential items that the accounting and financial management team may consider for future planning. We hope you find the information in this document helpful.





So much information...

What should we do?

# Crisis Management - Meeting Short Term Cash Flow Needs

Amidst all of the COVID-19 pandemic, healthcare organizations and hospitals in particular need to carefully assess their financial circumstances and in particular their cash flows to determine what supplemental resources are available. There are resources available under newly updated and existing government programs which may be available.

We recommend a quick assessment of the financial impacts of COVID-19 to consider funding sources available which may assist the organization in meeting short and long-term cash flow as well as patient needs and demands.

As the saying goes “Cash is King or Queen.” We recommend organization’s evaluate expected short term cash position in the following two ways to determine immediate, short-term, and long-term appropriate actions.

1. Days cash on hand

- a. Operating Cash Account \$ \_\_\_\_\_
- b. Available cash if investments are liquidated (Optional) \$ \_\_\_\_\_
- c. Total Available Cash Sources \$ \_\_\_\_\_
- d. Estimated operating expenses for next two months (with COVID-19) \$ \_\_\_\_\_
- e. Average daily expense (d divided by number of days in next 2 months) \$ \_\_\_\_\_
- f. Number of days of “available” cash (d divided by e) \$ \_\_\_\_\_

2. Project the excess or shortfall of cash receipts over cash expenditures for the next two month period.

If you are expecting a net cash shortfall over the next two months, we recommend the Hospital strongly consider requesting a Medicare Accelerated and Advanced payment.

Hospitals with more than 60 days cash on hand are also eligible to make this request and will want to consider their individual situation.

# Medium and Long Term Reimbursement Strategies

The Medicare Accelerated and Advanced payment program allows Critical access hospitals (CAH) to request up to 125% of their Medicare payments for a six-month period (other provider types can also apply but have different applicable amounts). Inpatient acute care hospitals, children's hospitals, certain cancer hospitals, and Critical Access Hospitals (CAH) have up to one year from the date the accelerated payment was made to repay the balance. All other Part A providers and Part B suppliers will have 210 days from the date of the accelerated or advance payment was made to repay the balance. The recoupment process will begin 120 days after the accelerated and advanced payment is awarded.

This process will provide immediate cash to the Organization in the form of an interest free loan and will give the Organization flexibility to pursue other funding avenues which may be available to health care Organizations through the CARES Act.

[In addition to meeting the immediate cash flow needs, below are other actions we recommend CAHs consider to meet medium and long term cash flow needs:](#)

- If you are a December through March year-end and you expect a receivable on your Medicare cost report, consider filing the cost report as soon as possible.
- Prepare an interim cost report based on current year activity or budgeted expectations (CAHs, RHCs, and cost-based or pass through entities) to receive a lump sum payment and interim rate adjustment. The interim rate adjustment would also be applicable for Medicare HMOs plans.
- If you have reimbursable Medicare bad debts in excess of \$50,000, request bi-weekly bad debt pass through. This is done through a written request to your Medicare Administrative Contractor. The MAC will also perform a catch up with a lump sum payment for current year bad debts for the first portion of your cost reporting year prior to starting the bi-weekly payments.
- Review statistical method of allocations to ensure Medicare reimbursement is optimized appropriately
- Review nursing home Medicaid and Medicare coding to ensure accurate reimbursement is being captured
- Review billing arrangements for all locations, in particular clinic locations, for options under provider-based and provider-based rural health clinics.
- If you have a nursing home, ensure you are aware of COVID Medicaid related reimbursement opportunities available to nursing homes. These have typically been very time sensitive so ensure you are staying abreast of these opportunities in a timely manner.
- If you have Rural Health Clinics, be aware of Medicaid reimbursement opportunities available. These are generally state specific. For example, there may be an opportunity to request quarterly rural health clinic payments or interim payments on any open cost reports.

# Operational and Financial Reporting Tips

In addition to the reimbursement related items, below are other recommendations for this challenging time.

- Ensure your team is aware and researching the CAREs Act payroll related provisions as well as the two separate Small Business Administration programs. Information about these programs can be found in the COVID resources section of Wipfli's website ([www.wipfli.com](http://www.wipfli.com)). These are complex areas and may require additional discussions with your Wipfli team.
- Review business and service lines of all types. Are there programs which should be “retooled” or re-engineered which may make the organization stronger following this emergency period? Consider a strategic financial plan for the short-term and long-term goals of the organization that can be fluid to change with these unprecedented times.
- Track the financial impact (revenue and expense) of the COVID-19 situation separately to the extent possible. For example, consider setting up additional accounts within a department to track COVID-19 revenue and expenses. The expenses might involve supplies or additional contracted services. Payroll related expenses should be tracked separately through your payroll reporting system, but if not, separate general ledger accounts within a department for additional paid time off or overtime related to COVID-19 might be beneficial.

This separate tracking of expenses and changes in revenues may be beneficial for many reasons including business interruption insurance, future grant dollars, opportunities that Medicare or other third-party payors might offer, or for internal management purposes, and IRS 990 reporting of community benefits.

Federal disaster relief or other grant dollars from Federal or State government agencies, if available or applicable, may require additional reporting and setting up tracking tools up front may save time later.

- Consider options for a line of credit and if it would be beneficial to set one up. If there is disruption in billing and collecting from employees who are unable to work this may slow down cash collections or loss of revenue due to changes in service offerings may slow down cash collections as well. A line of credit may be a short term solution to pay for operations until other alternative funding is available or until business returns to “normal.”
- Maintain contact with your bankers and investment brokers or agencies to review current holdings in investment portfolios.
- Review options for telehealth billing to nursing homes and other locations, such as patient homes. It is our understanding that CMS is working on providing relaxed telehealth billing rules and we anticipate other billing updates to be coming out by Medicare, Medicaid, and other payors in the near future.





CARES Act

Applicable to Hospitals

# CARES Act – Options for Hospitals

On March 27, 2020, the Coronavirus Aid, Relief, and Stimulus Act (CARES Act) of 2020 was passed and includes over \$1 trillion in U.S. Federal Government Financial Assistance, as well as other provisions, which are intended to stimulate the economy during this period of economic downturn following the initial COVID-19 pandemic of 2020. Although it can not be predicted what type of impact that the CARES Act will have on the U.S. economy, the package includes in the CARES was intended to provide both economic and operational business relief to many individuals and industries throughout the country.

As we look forward, the U.S. Healthcare industry as at the core center of the needed care and bears great financial and operational burdens during these uncharted times. The CARES Act includes several key provisions which may be applicable to hospitals of all types including, but not limited to the following:

## Public Health Fund for Providers:

- \$100 billion appropriated for Public Health Services Emergency Fund for eligible healthcare providers enrolled in Medicare and Medicaid for healthcare-related expenses or lost revenues associated with COVID-19.
- Supplemental other awards and grants are available to healthcare providers, including grants through HRSA to promote the use of telehealth technology and strengthen rural healthcare.

## Medicare Payment Provisions:

- IPPS hospitals will receive a 20% increase to diagnosis related groupings which contain COVID-19 in the diagnosis for these stays during the emergency period.
- Expansion of Periodic Interim Payment Plans to include options for accelerated Medicare payments to hospitals and other healthcare providers, including options for:
  - Hospitals (PPS) to receive up to 100% of their average payments received from Medicare for six month period.
  - CAHs can request to receive up to 125% of their average payments received from Medicare for a six month period.
  - Repayment start 120 days after receipt, and providers can request to repay over a 12 month period, interest free.

# CARES Act – Options for Hospitals

## Medicare Payment Provisions (Continued):

- Sequestration reduction in payments has been removed for the period from May 1, 2020 through December 31, 2020; however, was extended for one year due to this temporary suspension.
- Reductions in the clinical diagnostic lab fee schedule will not start until 2021 (Most applicable to reference labs performed by CAHs and PPS hospital laboratory services of all types.)
- When available, COVID-19 vaccines will be covered by Medicare Part B without deductible or coinsurance.
- DME fee schedule reductions in rural areas under the transition rule are delayed for one year.

## Medicaid Payment Provisions:

- Medicaid DSH program reductions of \$4 billion throughout the country which were scheduled to start on December 1, 2020 are delayed for one year.

## Other Healthcare Operational Provisions:

- Expansion of Telehealth payment options and site of service definitions during emergency period including but not limited to:
  - Medicare telehealth services to be reimbursed at the same rate as face-to-face fee for service encounters.
  - Rural Health Clinics and Federally Qualified Health Centers are a distant site during the emergency period (fee-scale payments).

# CARES Act – Options for Hospitals

## Other Healthcare Operational Provisions (Continued):

- Waivers of face-to-face visit requirements for the following visit types during the emergency period:
  - ESRD patients
  - Hospice recertifications
  - Home health services by providers (practitioners)
- Insurance plan requirements to cover COVID-19 Patient treatments
- Expansions of appropriations for health professional training programs including those service medically underserved and health professional shortage areas, in particular geriatric and rural areas.
- Waiver of requirements for some post-acute care providers during emergency period:
  - Waive requirement for Acute Rehab Hospitals to provide at least 15 hours of therapy per week
  - Long-term care hospitals waive discharge percent requirements and the general application of site neutral payments during emergency period
  - Waiver of three-day hospital acute stay prior to SNF and/or swing bed admission for COVID-19 diagnosis and/or COVID-19 displaced patients from another acute care hospital
- Medicare Part D plans will cover three month drug supply refill rather than 30 day supply during the emergency period.

# CARES Act – Options for Hospitals

## Other Business Funding and Loan Provisions Which May be Available:

- Loan and Forgiveness Programs Under the Small Business Loan Administration Program (SBA Loans):
  - Payroll Loans
  - Subsidiary for Certain Loan Payments for Loans Issued under the SBA Program
- Entrepreneurial development grant programs for training of workers to work remotely to stop the spread of COVID-19
- Delay of Payment of Employer Payroll Taxes (for certain business types)
- Employee retention credit for closure or suspension/reduction of significant amount of services due to COVID-19 (for certain business types)



# CARES Act – Options for Hospitals

## Other Sections of CARES Act Applicable to Employees and Individuals:

Other provisions of the CARES Act included, but not limited, to the following which are intended to assist employees and individuals during this time as well. These can be key items as healthcare organizations of all types are looking are repurposing or changing employment arrangements during these uncertain times. These items include:

- Unemployment Insurance provisions
- Tax credits for individuals (stimulus checks)
- Retirement plan hardship distributions for COVID-19 affected employees
- Increase in loan limits for retirement plan participants seeking loan against their retirement plan accounts
- Waiving of minimum distributions from retirement plans
- Tax credits for individuals and small businesses (tax return credits)
- Charitable Donation Credits (\$300 as above the line donations on tax returns)

# Further Thoughts...



# CARES Act – Options for Hospitals and Further Thoughts

There are many options available to businesses and healthcare providers of all types under the CARES Act; however, it is important to recognize there are also options under current programs which may assist healthcare entities to provide some economic stability and cash flows to assist with operations. These programs may play an important role in stabilizing cash flows for healthcare organizations until the emergency COVID-19 period comes to an end or is reduced.

Options available under many programs continue to change rapidly, and are expected to continue to change as the COVID-19 pandemic continues through the country and the entire world.

If you have any questions, as always, your Wipfli team is here to help and please contact us with any questions as we continue to work as a team to strengthen the healthcare you all provide to patients throughout your cities and regions.

A female scientist with dark hair in a ponytail, wearing safety glasses and a white lab coat, is working in a laboratory. She is wearing blue gloves and is focused on a piece of medical equipment. In the background, there is a computer monitor displaying a graph. The scene is brightly lit with a blueish tint.

Appendix:

Medicare

Accelerated

Payment Requests

# Medicare Accelerated Payment Requests

Each Medicare Administrative Contractor (MAC) has specific information regarding how to make a request for Medicare Accelerated Payments by Hospitals. The website links to the MAC websites with the applicable advanced payment request forms are as follows:

[CGS Administrators, LLC](#)

[First Coast Healthcare Administrators](#)

[National Government Services, Inc.](#)

[Noridian](#)

[Novitas](#)

[Palmetto GBA](#)

[Wisconsin Physicians' Services](#)



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