

Provider Relief Fund

Q&A Thoughts & Responses

August 3, 2021

The following questions were raised as part of the Wipfli Healthcare Connections webinar on July 14, 2021 (<https://www.wipfli.com/insights/webinars/hc-healthcare-connections-provider-relief-fund-reporting>). The following responses are based on our understanding and interpretation of the United States Department of Health and Human Services (HHS) Provider Relief Fund (PRF) Post-Payment Notice of Reporting Requirements dated June 11, 2021 and the Frequently Asked Questions (FAQs) dated July 15, 2021. Our understanding and interpretations are not authoritative and may change based on new information and insights that become available.

In addition to responses to specific questions answered through the FAQs, reporting guidance, below insights from the Wipfli team, and other authoritative and nonauthoritative sources, we recommend clients document the basis for their determinations in areas where there is a lack of clarity. The United States Health Resources and Services Administration will likely be relying on the Uniform Guidance audit process and HRSA compliance reviews as part of their enforcement efforts. As a result, it would behoove clients to have a well-documented argument—citing FAQs in place at the time they made their decisions and lack there-of, on specific controversial topics. This would be especially important where providers made purchasing decisions based on their interpretations at the time the purchase was made.

	Question	Thoughts/Responses
1.	<p>How do contractual adjustments get considered in lost revenue given the following wording in the guidance?</p> <p>“Patient care” means healthcare, services and supports, as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail, or real estate revenues (exception for nursing and assisted living facilities’ real estate revenues where resident fees are allowable); prescription sales revenues (exception when derived through the 340B program); grants or tuition; contractual adjustments from all third party payers; charity care adjustments; bad debt; and any gains and/or losses on investments.”</p>	<p>We agree the terminology used in the FAQ is confusing. Our interpretation is that lost revenue needs to be calculated based on net patient service revenue. To minimize confusion, it would be helpful if HHS modified the language used in this FAQ to use language consistent with language used within the healthcare finance community (gross patient service revenue or net patient service revenue).</p>

2.	<p>Our organization's Medicare cost report, which covers a significant portion of the Period of Availability, will not be filed until after September 30. Our cost report settlement could significantly impact our lost revenues calculation as well as our estimate of how much of our COVID expenditures are considered reimbursed from other sources. How do we account for this in the reporting?</p> <p>The lost revenues calculation requires revenues to be reported on a quarterly basis. We have periodic accounts receivable allowance adjustments, interim cost settlements, year-end cost settlements, and other supplemental payments that generally are not applicable to any single quarter's revenues. How do we break these payments out for reporting purposes?</p>	<p>This is a significant concern, particularly for cost-based rural providers whose patient service revenues are significantly impacted by cost-based reimbursement settlements. Unless HHS addresses this timing issue, most rural providers will be filing on September 30 with incomplete information and will be at-risk of either significant payback after the related single audit is complete or returning too much in PRF funding in October 2021.</p> <p>Providers have an obligation to estimate the cost report (or other similar) impacts to appropriately reflect their quarterly revenue. We realize many providers only do a cost report at the end of the year but we believe it is most appropriate to modify their approach to these estimates given the significance of quarterly revenue to PRF reporting. This could be done via a cost report model or some other method. While some may say this is "not practical," we believe providers have a responsibility to make the quarterly revenue estimates as accurate as possible. It is the provider's responsibility to determine whether to accept the risk of not doing it correctly.</p> <p>Auditors will need to determine how to audit this quarterly revenue for settlements, cutoff, and other factors.</p>
3.	<p>Can a provider enter \$0 for expenses and jump to lost revenue either to skip the effort of gathering COVID-related expenses or to save the COVID-related expenses for a future reporting period when they will be needed?</p>	<p>Based on the post payment reporting guidance and FAQs, the answer is "yes" although not reporting any COVID-related expenses may not be wise as both the FAQs and HRSA clearly indicate that providers are to use Provider Relief Funds for COVID-related expenses first and lost revenues second.</p> <p>Providers will want to consider the impact of reporting (or not reporting) expenses on the ability to retain PRF funds in future reporting periods.</p>
4.	<p>A recent webinar mentioned that a capital project had to be complete in order to be reported as COVID-related expense. Is this true?</p>	<p>There is nothing in the FAQs or post payment reporting guidance that indicates this is the case.</p> <p>In addition to the above, there is conflicting guidance within the FAQs on the topic of capital expenditures. Some FAQs indicate an organization's standard method of accounting should be used (cash, accrual, etc.), while others indicate that funds only need to be obligated</p>

		<p>during the period of availability. “Obligated” is a term used for grant accounting purposes, and the timing of when funding is obligated for grant purposes often differs from when an expenditure is considered incurred for cash, accrual, etc. basis accounting.</p> <p>We recommend providers document their position for all significant capital expenditures being claimed. This documentation should include the information, FAQs, and reporting guidance at the time the expenditure was made.</p>
5.	Do we include the payroll costs that were used to justify the Small Business Administration Paycheck Protection Program (PPP) funding for which forgiveness was received?	No. Payroll costs which were used to justify PPP forgiveness cannot be claimed as COVID-related expense.
6.	<p>I purchased electric beds to replace “crank style beds” which had the intended purpose of limiting the amount of direct interaction that staff had in adjusting patient positions in bed.</p> <p>I invested in changing carpeted areas into tile which facilitates ease of cleaning and sanitization.</p> <p>Can these be counted as a COVID expense?</p>	<p>We believe these items would be eligible under the healthcare-related expenses equipment section.</p> <p>The provider would need to estimate the reimbursement based on the methods utilized by the Medicare and Medicaid program in the state in which the provider is operating (i.e., if there is additional capital reimbursement). The Provider would need to estimate the total reimbursement to be received over the life of the asset.</p>
7.	How do you recommend that I allocate employee benefits as COVID-related costs?	We believe direct payroll taxes on incremental wages are allowable. We believe using an overall fringe benefit ratio is acceptable, similar to other federal grant programs where an indirect cost rate is not separately established.
8.	I received a sizeable PPP loan and used it over a 12 week period. How should I account for this “other assistance received” when calculating expenses? Do I do it only in the quarter received or can I allocate it over assorted quarters?	<p>The PPP Loan is recorded as other assistance received when the funds are received regardless of when the related labor costs are incurred and regardless of when the PPP loan is forgiven.</p> <p>The provider needs to be sure none of the costs included in the PPP forgiveness application are claimed as PRF COVID-related expenses.</p>
9.	Do you report the full PPP loan amount or just the portion that would be shown as reimbursing a COVID expense that otherwise PRF would have covered?	The full PPP loan should be reported as other assistance.

10.	Do we include PPP funds as other assistance received even if we have not yet been granted forgiveness?	The guidance does not clearly differentiate treatment of forgiven vs. non-forgiven SBA PPP loans.
11.	It was mentioned that time taken to report this data could be claimed as COVID-related expenses (webinars, etc.). If our salaries were already budgeted, can we still claim?	<p>The following FAQ was addressed on February 24, 2021, “Can Reporting Entities claim the time spent by staff and director-level resources on COVID-19-specific matters, such as participating in task forces or preparing their health care organization’s COVID-19 response, that they would not have otherwise spent time on in the absence of the pandemic? (Added 2/24/2021).”</p> <p>HHS response was as follows: “Time spent by staff on COVID-19-specific matters may be an allowable cost attributable to coronavirus so long as it was not reimbursed or obligated to be reimbursed by other sources. If the personnel salaries are reimbursed by any other source of funding they cannot be also reimbursed by the Provider Relief Fund. In addition, no one individual may be allocated as greater than one full-time equivalent (FTE) across all sources of funding. All costs must be tangible expenses (not opportunity costs) and must be supported by documentation.”</p> <p>Based on this, we believe time taken to report this data (webinars, etc.) is allowable.</p>
12.	We are a large entity with both a hospital and numerous nursing homes (28 total facilities). Does lost revenue have to be calculated at the TIN level? Or can it be calculated by a major service line level (Hospital vs. Nursing Home)?	We believe lost revenue must be reported at the reporting entity level. A provider could use the “any other reasonable method” and include their rationale for calculating lost revenue at the major service line level understanding that HRSA may disallow this method and require the entity to calculating lost revenue at the reporting entity level.
13.	We were told that if you expend \$750k or more of PRF dollars then we would need a CPA to complete a Single Audit (aka Uniform Guidance Audit). What if we received less than \$750k during the reporting period, then what type of audit can we expect?	There are no specified audit requirements for entities expending less than \$750k in federal funding. However, reporting remains subject to potential review by HRSA for several years into the future.
14.	On the long COVID expense list within the Wipfli workbook, there is a row “COVID caused inflation in the category of “additional COVID-related cost” (i.e. dietary expenses, increased PPE costs, other areas of inflation)”. If I use this, what is the recommendation on how I calculate this? Is PPD expenses appropriate method?	<p>For some organizations, vendors (i.e. dietary vendors) were able to provide documentation showing the inflationary impact of COVID.</p> <p>If this type of support is not available, we believe this is an expense which would be harder to estimate and document and would, therefore, be used in reporting with caution. If necessary, however, using a per patient day methodology would be reasonable.</p>

15.	Would incentive revenue and capitation income need to be included in net patient service revenue for the lost revenue calculation?	The guidance is not clear, but we believe incentive revenue and capitation income should be included in net patient revenue for the lost revenue calculation. If the incentive or capitation revenue relates to services provided in a prior period, the amounts should be reclassified to the appropriate period for PRF reporting purposes.
16.	A significant portion of our revenues come from Inter-Governmental Transfers (IGTs) and other supplemental payments intended to fund patient care. Are these sources of revenue, which are used to fund patient care, required to be included in patient care revenue in reporting lost revenues?	<p>HHS has not directly addressed whether items such as IGT and other supplemental payments are to be included in lost revenue calculations. Without clear guidance from HHS, there is high risk of significant diversity in how healthcare providers report these types of revenue streams within their lost revenues calculation.</p> <p>We recommend providers document their position and interpretation of the guidance related to this area and apply their interpretation consistently for all periods.</p>
17.	What are thoughts on the reference periods for Option II Lost Revenue using budget for Q1 & Q2 2021. Do we think it bumps against 2020 or 2021 quarters?	The reporting portal user guide clearly states that Q1 2021 and Q2 2021 actual patient care revenue should be compared to Q1 2021 and Q2 2021 budgeted patient care revenue if using lost revenues option 2, budget to actual. This is also supported by the HRSA-provided data-entry workbook, which includes data entry fields for Q1 and Q2 2021 budgeted numbers, to be compared to 2021 actuals. HHS guidance indicates that budgets used for option 2 must have been approved by no later than March 27, 2020, and we understand that many providers would not have had a 2021 budget prepared by that date. We are awaiting further guidance from HHS regarding this disconnect.
18.	I received \$600k in reporting period 1 and \$200k in reporting period 2. My understanding is that I have to report the long-form expenses for Period 1 and short form (just the two expense categories) for reporting period 2. Is this correct?	We agree this seems likely. We will know for sure when reporting period 2 reporting commences.
19.	Can "unused" lost revenue for period 1 be used for period 3?	The following FAQ was addressed on July 1, 2021, "If a Reporting Entity has more lost revenue for a "Payment Received Period" than it received Provider Relief Fund payments for the same period, can that lost revenue be carried forward and applied against payments received during later "Payment Received Periods" and included in the lost revenues reported during later reporting periods?"

		<p>HHS response was as follows: “Yes. Provider Relief Fund payments may be applied to expenses and lost revenues according to the period of availability of funding. However, expenses and lost revenues may not be duplicated. Specifically, payments received may not be applied to the same expenses and lost revenues that Provider Relief Fund payments received in prior payment periods already reimbursed. The Payment Received Periods described in the June 11, 2021 Post-Payment Notice of Reporting Requirements determine the period of availability of funding and when reports are due.”</p>
20.	<p>Are Medicaid temporary rate increases based on a fixed amount per Medicaid day considered other income or included with regular Revenue?</p>	<p>The guidance is not clear on the appropriate treatment for temporary increases which are provided by payors as a result of the COVID pandemic. There are two potential positions a provider could take on this additional reimbursement:</p> <ul style="list-style-type: none"> • One position is that temporary payment rate increases which are the result of COVID would be included in patient care revenue for the lost revenue calculation. • The other position is that temporary payment rate increases which are the result of COVID should be reported as “Other Assistance Received” in which case they would not be part of the lost revenue calculation.
21.	<p>As a nonprofit hospice, we rely on donations and thrift store revenues to meet patient care needs. Can we include lost revenues from these categories since they support direct patient care?</p>	<p>The following FAQ was addressed on December 4, 2020, “Should providers include fundraising revenues, grants or donations when determining patient care revenue?”</p> <p>HHS response was as follows: “To calculate lost revenues attributable to coronavirus, providers are required to report revenues received from Medicare, Medicaid, commercial insurance, and other sources for patient care services. Other sources include fundraising revenues, grants or donations if they contribute to funding patient care services.”</p>

22.	Can California Supplemental Pay be used in a later quarter as a COVID-related payroll expense?	Our interpretation is that increases in payroll-related to state-mandated supplemental payroll increases is an allowable use of the funds. Regarding the timing of when the expenditures can be claimed in relation to the period of availability, an FAQ dated 7/1/2021 says "Providers are required to maintain supporting documentation which demonstrates that costs were obligated/incurred during the period of availability. The burden of proof is on the Reporting Entity to ensure that adequate documentation is maintained."
23.	Can we count the cost of test kits purchased if they were billed to patient insurance?	<p>The guidance indicates that coronavirus-related costs must be offset by amounts reimbursed or obligated to be reimbursed from other sources, including amounts billed to insurance.</p> <p>Related FAQ (excerpt): "Providers can identify their expenses attributable to coronavirus, and then offset any amounts received through other sources, such as direct patient billing, commercial insurance, Medicare/Medicaid/Children's Health Insurance Program (CHIP); other funds received from the federal government, including the Federal Emergency Management Agency (FEMA); the Provider Relief Fund COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured (Uninsured Program); the COVID-19 Coverage Assistance Fund (CAF); and the Small Business Administration (SBA) and Department of the Treasury's Paycheck Protection Program (PPP). Provider Relief Fund payments may be applied to the remaining expenses or costs, after netting the other funds received or obligated to be received which offset those expenses."</p>
24.	Do we have to claim funds that we received back on taxes from the money paid to employees unable to work based on the FFCRA for COVID-related reasons as a COVID assistance funding?	<p>Our interpretation is that Employee Retention Credits would be reported as Other Assistance Received within the reporting portal. An FAQ directly addresses how Other Assistance Received should be considered for reporting purposes:</p> <p>An FAQ dated July 1, 2021 states "The Other Assistance Received reported to HRSA will not be used in the calculation of expenses or lost revenues. Reporting Entities are expected to make a determination of their expenses applied to Provider Relief Fund payments after</p>

		<p>considering “Other Assistance Received” and taking into account that Provider Relief Fund payments may not be used for expenses or lost revenues that other sources have reimbursed or that other sources are obligated to reimburse.”</p>
25.	<p>Do we separate the 2% sequestration not deducted from our payments in 2020 as other assistance?</p>	<p>Our interpretation is that the sequestration moratorium (which directly relates to patient care revenue) does not need to be reported as Other Assistance Received. The sequestration moratorium does, however, directly impact the lost revenues calculation.</p> <p>Per an FAQ dated July 1, 2021, “Patient care revenue should not be reported as part of “Other Assistance Received” as it is a source of revenue, not a source of other assistance as defined by Provider Relief Fund reporting requirements. The “Other Assistance Received” reported to HRSA will not be used in the calculation of expenses applied to Provider Relief Fund payments or lost revenues.”</p>
26.	<p>In regard to the Infection Control Targeted Distribution, is there an expected ratio of general and administrative expenses to healthcare-related expenses?</p> <p>For example, would it be permissible to record 100% of expenses as payroll costs for staff hired to provide patient care (general and administrative expense) during the allowable period, and the salary cost of retaining such employees?</p>	<p>The FAQs state the following related to amounts which qualify as allowable expenses for the SNF infection control distributions "These include costs associated with administering COVID-19 testing for both staff and residents; reporting COVID-19 test results to local, state, or federal governments; hiring staff to provide patient care or administrative support; incurring expenses to improve infection control, including activities such as implementing infection control "mentorship" programs with subject matter experts, or changes made to physical facilities; and providing additional services to residents, such as technology that permits residents to connect with their families if the families are not able to visit in person."</p> <p>"Payments from the Nursing Home Infection Control Distribution may be used to cover "hiring" expenses related to both recruiting new hires and the continued payment and retention of existing staff to provide patient care or administrative support."</p>

27.	It is my understanding from one of the FAQs that income taxes paid on Provider Relief Funds are an allowable reportable healthcare-related expense attributable to coronavirus?	The FAQs state that HHS considers taxes imposed on Provider Relief Fund payments to be “healthcare-related expenses attributable to coronavirus” that are eligible for reimbursement from Provider Relief Funds, except for Nursing Home Infection Control Distribution payments.
28.	Our assisted living facility received PRF funds during period 2 and period 3. Can we begin filling out the reporting requirements now, or do we need to wait until January 1, 2022 to begin reporting?	Unfortunately you will have to wait until the applicable reporting period.
29.	The payment we received in period 2 was greater than \$10,000. The payment we received in period 3 was less than \$10,000. I assume we need to report for the period 2 funding, but since the period 3 funding was less than \$10,000 - do we need to report for the period 3 payment?	For the period you received less than \$10,000, you do not need to report.
30.	Should 340B (hospital & contract) be included in patient revenue?	The guidance indicates prescription sales revenue should be excluded from patient care revenue, with the exception of revenues derived from the 340B program.
31.	Will test kits be reported based on when received or when used?	Because purchasing an inventory supply of COVID-related items is an allowable expense, we believe it would be appropriate to report based on when received/purchased.
32.	Would "Hazard Pay" or "Hero Pay" to clinical and clinical support staff be considered a reimbursable expense?	Yes, Hazard Pay or Hero Pay would be considered a reimbursable expense provided it is a reasonable amount and there was a reasonable and prudent business case for making the payments.
33.	If we don't think we would qualify and will just return the money should we still submit any of these reports?	We believe that most healthcare organizations have some increased expenses due to COVID. We recommend reviewing your expenses and identifying which might classify as COVID-related.
34.	Do we have to establish baseline usage of PPE prior to COVID and only include the increase?	We believe that only the increase in PPE expense would be reported as COVID-related expense with the exception of the SNF infection control distributions for which we believe the full PPE expense can be reported as COVID-related expense.
35.	Are all expenses reported for the general distribution incremental increases?	There are cases where costs which are not incremental can be claimed as COVID-related expense. For example, cost associated with time spent by leadership on COVID-

	For example, mortgage payments. If they remained the same from year to year with no change due to COVID, would we be able to report the cost?	related tasks can be allocated and reported as COVID-related expense. We believe mortgage payments may be reported only if they can be considered a "COVID-related expense."
36.	Regarding registry cost, would this be considered COVID cost even though there is no COVID in the building (2019 there was no registry cost)?	If the registry cost is resulting from the COVID pandemic, it would be COVID cost even though there is no COVID in the building.
37.	If an entity transfers funds to another entity, will they need to report which distributions were transferred (general, targeted, infection control, etc.)?	We have not determined the answer to this question yet.
38.	Will there be a method for correcting reports in the future if amounts are determined to be inaccurate (i.e. revenue adjustments)?	No information at this time available on this.