Provider Relief Funds & Other CARES Act Updates

MOVING FORWARD

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Introductions

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Provider Relief Funds & Other CARES Act Updates

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Our Goals For Today

1. SBA PPP Background & Revenue Recognition Guidance
2. PRF & FAQ Summary
3. Post Payment Notice – 10.22.20
4. Revenue Recognition Guidance
5. Questions with Post Payment Guidance
6. Recommendations/Actions

DISCLAIMER

- Information in this presentation is as of November 13
- The AICPA has issued guidance for revenue recognition for proper accounting for Provider Relief Funds
- HFMA, AHA, the AICPA Health Care Expert Panel and others are reviewing the Notice and looking to provide guidance and insight
- Stay tuned for further developments through **BKD Thoughtware™**

SBA PPP Background & Revenue Recognition Guidance

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SBA Paycheck Protection Program

PURPOSE

- Designed to provide a direct incentive for small businesses to keep their workers on payroll.

FORGIVENESS

- Funds used for payroll costs, interest on mortgages, rent, and utilities
- Based on the employer maintaining or quickly rehiring employees and maintaining salary levels.
- Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

TERMS

- Interest rate of 1%.
- Loans issued prior to June 5 have a maturity of two years. Loans issued after June 5 have a maturity of five years, loan payments will be deferred for six months.

SBA Paycheck Protection Program

ACCOUNTING TREATMENT

- ASC Topic 470 – (NFP, For-Profit)
  - Account for the loan as a financial liability and accrue interest
  - Forgiveness could not be recorded until the debtor has been legally released or the debtor pays off the loan to the creditor
- ASC Topic 958-605 – (NFP)
  - Account for the loan as an in-substance grant as expected to be forgiven – refundable advance
  - Forgiveness could be recorded when conditions are met (headcount/FTE levels, 60% payroll costs, etc.)
  - Lender and SBA approval – is that administrative and not a barrier

SBA Paycheck Protection Program

ACCOUNTING TREATMENT

- IAS 20 – (For-Profit)
  - Account for the loan as an in-substance grant as expected to be forgiven
  - Forgiveness could be recorded on a systematic basis over the periods in which the entity recognizes expenses the grant is intended to compensate
- Governmental
  - Entities following GASB would recognize nonoperating revenue when the loan is legally forgiven

SBA Paycheck Protection Program

RESOURCES

- Frequently Asked Questions (FAQs) on PPP Loan Forgiveness

https://www.sba.gov/sites/default/files/2020-08/PPP%20--%20Loan%20Forgiveness%20FAQs%20%28August%2011%2C%202020%29-508.pdf

PRF & FAQ Summary

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PROVIDER RELIEF FUND SUMMARY

Phase 1 & 2 General Distribution ($68 Billion in total) April/June

TARGETED

Rural	COVID-19 High Impact Area	Skilled Nursing Facilities	Indian Health Services	Safety Net & Children's	Nursing Home	Medicaid & CHIP
May	May	May	May	June	June	July
$11B	$22B	$4.9B	$500M	$14.4B	$2.5B	$15B

Phase 3 General Distribution ($20 Billion) October

Phase 3 General Distribution PRF

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Phase 3 General Distribution

- $20 billion in new funding
- Applies to previously ineligible providers
  - Began practicing in 2020
- Behavioral health providers
- Assisted living facilities
- Additional funding for providers based upon financial losses and changes in operating expenses
  - All providers eligible for previous distributions
- Application period ended November 6, 2020

Phase 3 General Distribution

Ensure a provider has received 2% of revenue from patient care as part of the previous phases of the General Distribution or under a Phase 3 payment

Provide additional funding to health care providers based upon the "change in operating revenues from patient care, minus operating expenses from patient care"

HHS encouraged providers to submit applications as soon as possible to expedite their calculation and distribution of payments

Phase 3 General Distribution

- Providers will be paid a percentage of their change in operating revenues from patient care minus operating expenses from patient care
- Phase 3 payment will take into account funds received and kept under prior General and Targeted distributions
- The actual percentage paid will be dependent on how may providers apply

Provider Relief Fund Guidance Evolution

- Terms & Conditions
  - Accompanied initial April distributions
  - Largely unchanged and general – lost revenues and expenses not reimbursed from other sources
- FAQs
  - Issued since May
  - Filled in the blanks left by T&C
- Post Payment Reporting Requirements
  - “Final” guidance but has been revised twice since initial notice in September

Provider Relief Fund Guidance Evolution

- Post Payment Reporting Requirements – September 19
  - Lost revenues = CY 2019 to CY 2020 change in net income from patient care
  - Subtler change in expenses – expansion of definition of "other sources" to include patient care
  - Expanded type of expenses to include overhead
- Post Payment Reporting Requirements, "v2.0" – October 22
  - Changed lost revenues to year-over-year change in patient care revenues
- FAQs – 10/28
  - Revised expense calculation
  - Suggests only depreciation can be claimed for capital purchases
- Post Payment Reporting Requirements, "v2.1" – November 2
  - Corrected description of lost revenue approach
- FAQs – 11/18
  - Full expense of capital items directly related to COVID

Provider Relief Fund Terms & Conditions

- The terms and conditions of Provider Relief Funds (PRF) state that relief fund payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipients only for health care-related expense or lost revenue that are attributed to coronavirus
- The recipient certifies that it provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19
- 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

HHS Issued Frequently Asked Questions to Address Terms & Conditions

CARES Act Provider Relief Fund
Frequently Asked Questions

Provider Relief Fund General Information
- **Overview**
- **Attestation**
- **Rejecting Payments**
- **Terms and Conditions**
- **Ownership Structures and Financial Relationships**
- **Auditing and Reporting Requirements**
- **Balance Billing**
- **Appeals**
- **Publication of Payment Data**

General Distribution
- **Phase 1**
  - *Overview and Eligibility*
  - *Determining Additional Payments*
  - *Provider Relief Fund Payment Portal – Phase 1 - General Distribution*
  - *Data Sharing*
- **Phase 2**
  - *Overview and Eligibility*
  - *Tax Identification Number (TIN) Validation Process*
  - *Application Process*
- **Phase 3**
  - *Overview and Eligibility*
  - *Tax Identification Number (TIN) Validation Process*
  - *Application Process*

Targeted Distributions
- **Rural Targeted Distribution**
- **COVID-19 High Impact Area Targeted Distribution**
- **Skilled Nursing Facilities Targeted Distribution**
- **Indian Health Service Targeted Distribution**
- **Safety Net Hospitals Targeted Distribution**
- **Nursing Home Infection Control Distribution**

HHS FAQ Answers

Q: If a provider secures **COVID-19-related funding separate from the Provider Relief Fund**, such as the Small Business Administration's Paycheck Protection Program**,** does that affect how they can use the payments from the Provider Relief Fund? Does accepting Provider Relief Fund payments preclude a provider organization from seeking other funds authorized under the CARES Act? *(Added 5/29/2020)*

A: There is no direct ban under the CARES Act on accepting a payment from the Provider Relief Fund and other sources, so long as the payment from the Provider Relief Fund is used only for permissible purposes and the recipient complies with the Terms and Conditions. By attesting to the Terms and Conditions, 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.

HHS FAQ Answers

Q: The Terms and Conditions state that Provider Relief Fund payments 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. **What expenses or lost revenues are considered eligible for reimbursement?** *(Modified 6/19/2020)*

A: The term "healthcare related expenses attributable to coronavirus" is **a broad term that may cover a range of items and services purchased to prevent, prepare for, and respond to coronavirus**

HHS FAQ Answers

From June 19 FAQ:

A (cont'd): The term "**lost revenues that are attributable to coronavirus" means any revenue that you as a health care provider lost due to coronavirus**. This may include revenue losses associated with fewer outpatient visits, canceled elective procedures or services, or increased uncompensated care. 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**

HHS FAQ Answers

A (cont'd): You may use **any reasonable method of estimating the revenue during March and April 2020** 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.

Post Payment Notice – 9.19.20

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Post-Payment Notice of Reporting Requirements Issued September 19

- Guidance initially expected August 17
- Does not apply to SNF Infection Control or Rural Health Clinic Testing Funds
- Potentially significant changes from FAQs/T&Cs:
  - **2-step process**
  - **Expenses – expansion of definition to include overhead**
  - **Expenses – potential limitation due to change in definition of "other sources"**
  - **Lost revenues – negative annual change in net operating income from patient care**

9.19 Post Payment Reporting Guidance on Use of Funds

Step 1 – Expenses attributable to coronavirus

- General & Administrative expenses
- Healthcare-related expenses
- ***Exclusive*** *of other reimbursement sources*

Step 2 – Unused funds applied to Lost Revenue

9.19 Post-Payment Notice of Reporting Requirements Changes to Lost Revenue

- Fundamental Change in "Lost Revenue" Approach
  - Removes previously indicated flexibility to determine the appropriate methodology.
  - Defines lost revenue as the **difference between their 2019 and 2020 net operating income from patient care sources.**
  - Non-GAAP definitions
    - Revenues are "actual revenues/net charges from patient care" and are required to be reported by payor by quarter and net of uncollectible patient service revenue recognized as bad debts
    - Patient care means health care, service and supports as provided in a medical setting, at home, or in the community
    - Patient care does not include insurance, retail, real estate values (except for SNFs where that is patient care) grants or tuition

9.19 Post-Payment Notice of Reporting Requirements Changes to Expenses – Expansion

General and Administrative Expenses Attributable to Coronavirus[2]
The actual G&A expenses incurred over and above what has been reimbursed by other sources.

a. **Mortgage/Rent:** Monthly payments related to mortgage or rent for a facility.
b. **Insurance:** Premiums paid for property, malpractice, business insurance, or other insurance relevant to operations.
c. **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. [3]
d. **Fringe Benefits:** Extra benefits supplementing an employee's salary, which may include hazard pay, travel reimbursement, employee health insurance, etc.
e. **Lease Payments:** new equipment or software lease.
f. **Utilities/Operations:** Lighting, cooling/ventilation, cleaning, or additional third party vendor services not included in "Personnel".
g. **Other General and Administrative Expenses:** Costs not captured above that are generally considered part of overhead structure.

Healthcare Related Expenses Attributable to Coronavirus[2]
The actual healthcare related expenses incurred over and above what has been reimbursed by other sources.

a. **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.
b. **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.

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[2] As noted above, 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.

9.19 Post-Payment Notice of Reporting Requirements Changes to Expenses – Expansion

c. **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.
d. **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.
e. **Other Healthcare Related Expenses:** Any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus.

9.19 Post-Payment Notice of Reporting Requirements Changes to Expenses – Potential Cap

- May significantly expand the concept of "reimbursed from other sources"

In this section, Reporting Entities that received **between $10,000 and $499,999 in aggregated PRF payments** are required to report healthcare related expenses attributable to coronavirus, net of other reimbursed sources (e.g., payments received from insurance and/or patients, and amounts received from federal, state or local governments, etc.) in two aggregated categories: (1) G&A expenses and (2) other healthcare related expenses. These are the actual expenses incurred over and above what has been reimbursed by other sources.

Recipients who received **$500,000 or more in PRF payments** are required to report healthcare related expenses attributable to coronavirus, net of other reimbursed sources, and they must do so by reporting more detailed information within the two categories of G&A expenses and other healthcare related expenses, according to the following sub-categories of expenses:

October Post Payment Notice Reporting Requirements

How will the information be reported to HHS?

Reporting entity
follows TIN (or NPI option)

Reporting of expenditures:

through December 31, 2020 – due February 15, 2021
from January 1, 2021 through June 30, 2021 – due July 31, 2021

Amended Post Payment Notice – 10.22.20

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10.22 Post-Payment Notice of Reporting Requirements Changes to Lost Revenue

- Reverts to Change in Revenue vs. Net Operating Income
  - Defines lost revenue as the **difference between their 2019 and 2020 actual patient care revenue.**
- Retains lack of flexibility
- Still no provisions to “normalize” data

Post-Payment Notice of Reporting Requirements Changes to Expenses – Potential Implications

- Potential implications of including claims payments:

Capacity to claim expenses could be limited to the amount of the loss on patient care

Because HHS uses non-GAAP definitions, the financial statements may not be the source of this. Purchases that would be capitalized under GAAP potentially included as expenses

HRSA plans to offer a webinar in advance of the reporting deadline and as needed issue FAQs

FAQ Answers – 10.28.20

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10.28 FAQs

- Confirmed the change in definition of “other sources”
  - potentially caps expenses claimed to operating loss
- Provide expense calculations that indicate a more incremental and potentially complicated approach
- Suggests depreciation, not purchase price to be reimbursed for equipment:

Do providers report total purchase price of capital equipment or only the depreciated value? ***(Added 10/28/2020)***

Providers who use accrual or cash basis accounting may report the relevant depreciation amount based on the equipment useful life, purchase price and depreciation methodology otherwise applied.

Providers may report an expense for items purchased with a useful life of 12 months or less if in accordance with their existing accounting policies.

10.28 FAQs

- PRF amounts claimed in Step 1 (Expenses) reduce the amount available in Step 2 (Lost Revenue)

When reporting use of funds, how will my organization's "lost revenues attributable to coronavirus" be calculated? ***(Added 10/28/2020)***
Lost revenues attributable to coronavirus are calculated based upon a calendar year comparison of 2019 to 2020 actual revenue/net charges from patient care (prior to netting with expenses).

The amount of lost revenues eligible for reimbursement through the Provider Relief Fund is capped at the change in 2019 to 2020 actual revenue from patient care related sources, less the Provider Relief Fund amount used to cover healthcare expenses attributable to coronavirus not reimbursed by other sources.

- PRF amounts can be used to support vaccine distribution/handling but not administration if insurance covers
- Hazard pay

10.28 FAQs – Salary Cap Example

Step One

Personnel Category	Number of Personnel	Personnel Expenses	Personnel Expenses (Below Salary Cap)	Ineligible for Federal Reimbursement
Medical Director	1	$250,000	$197,300	$52,700
Registered Nurses	25	$1,250,000	$1,250,000	0
Security	2	$80,000	$80,000	0
	28	$1,580,000	$1,527,300	$52,700

Step Two

Personnel Expenses (Below Salary Cap)	Less FEMA Reimbursement	Less Reimbursement from other sources	Eligible Personnel Expenses
$1,527,300	$(50,000)	$(1,000,000)	$477,300

10.28 FAQs – "Clarification" of COVID Expenses

- Three categories
  - Healthcare-related
    - Specific costs directly attributable to COVID (i.e., nursing time treating COVID patients, ventilators, negative pressure equipment, etc.) not reimbursed by other sources

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

Healthcare related expenses attributable to coronavirus may include items such as supplies, equipment, information technology, facilities, employees, and other healthcare related costs/expenses for the calendar year. The classification of items into categories should align with how Provider Relief Fund recipients maintain their records. Providers can identify their healthcare related expenses, and then apply any amounts received through other sources, such as direct patient billing, commercial insurance, Medicare/Medicaid/Children's Health Insurance

10.28 FAQs – "Clarification" of COVID Expenses

A $5 increase in expense or cost to provide an office visit is calculated by pre-pandemic cost vs. post-pandemic cost, regardless of reimbursement source:

- Pre-pandemic average expense or cost to provide an office visit = $80
- Post-pandemic average expense or cost to provide an office visit = $85

Examples of reimbursed amounts may include, but not be limited to:

- Example 1
  Medicaid reimbursement: $70 (Report $85-$80 = $5 as expense attributable to coronavirus but unreimbursed by other sources)
- Example 2
  Medicare reimbursement: $80 (Report $85-$80 = $5 as expense attributable to coronavirus but unreimbursed by other sources)
- Example 3
  Commercial Insurance reimbursement: $85 (Report $5, commercial insurer did not reimburse for $5 increased cost of post-pandemic office visit)

10.28 FAQs – “Clarification” of COVID Expenses

- Three categories (continued)
  - “Other” healthcare-related
    - Healthcare costs not directly related to COVID
    - First determine how much costs increased in 2020 over 2019
    - Then determine how much of that increase was attributable to COVID
    - Lastly determine how much of the COVID-related increase was not reimbursed through other sources (“using reasonable assumptions”)

10.28 FAQs – "Clarification" of COVID Expenses

- Three categories (continued)
  - "Other" healthcare-related

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

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

10.28 FAQs – "Clarification" of COVID Expenses

- Three categories (continued)
  - "Other" healthcare-related

For example:
PPE Supplies in 2019 = $1,000
PPE supplies in 2020 = $4,000
$4,000 – $1,000 = $3,000 in expenses over and above normal operations attributable to coronavirus
Of that $3,000, approximately $2,500 was attributable to coronavirus, and of that $2,500 approximately $1,000 was reimbursed, leaving a balance of $1,500 in unreimbursed healthcare related expenses attributable to coronavirus.

10.28 FAQs – “Clarification” of COVID Expenses

- Three categories (continued)
  - General & Administrative
    - Providers must calculate incremental G&A attributable to the coronavirus and then estimate what portion was not covered through operational revenues, other direct assistance, donations or other sources

Re-Amended Post Payment Notice – 11.2.20

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FAQ Answers – November

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11.18 FAQs

- Exclude patient revenue recorded in 2019 or 2020 that did not relate to services provided in those years.
- Full cost of capital items can be "expensed" if the purchase was directly related to preventing, preparing for and responding to the coronavirus.
  - Examples:

Equipment

- Ventilators, computerized tomography scanners, and other intensive care unit- (ICU) related equipment put into immediate use of held in inventory
- Masks, face shields, gloves, gowns
- Biohazard suits
- General personal protective equipment
- Disinfectant supplies

Facilities

- Upgrading a heating, ventilation, and air conditioning (HVAC) system to support negative pressure units
- Retrofitting a COVID-19 unit
- Enhancing or reconfiguring ICU capabilities
- Leasing or purchasing a temporary structure to screen and/or treat patients
- Leasing a permanent facility to increase hospital or nursing home capacity

Year-End considerations

- Subsequent event consideration – type 1 or 2
- Must follow new guidance effective as of year end
- Warrants discussion based on your individual circumstance
- Revenue recognition *may be* different than PRF reporting requirements

Identifying Expenses Attributable to COVID – Example 1

Step #1

Expenses Attributable to Coronavirus	
Healthcare-related	$ 5,040,000
General and administrative	3,512,000
	8,552,000
Less: Reimbursement from Other Sources	
PPP loan received	(1,025,000)
Grants received	(500,000)
Patient revenue allocated to expenses above	(6,350,000)
	$ 677,000

- Guidance is still causing confusion
- FAQ released 10/29/2020 states HC expenses attributable to COVID should be incremental costs incurred specific to COVID
- Cannot be reimbursed by another source (offset by PPP loans, grants, etc.)
- Apply reasonable assumptions to determine the amount of their NPSR & Other Assistance Received that applies to HC expenses attributable to COVID
- May include G&A or healthcare-related operating expenses
- The actual reporting required may be more detailed.

Calculations are for illustration purposes only.

Lost Revenue – 2020 Actual Patient Revenues vs. 2019 – Example 1

Step #2

	2020	2019
Gross patient service revenues	$ 900,000,000	$ 1,000,000,000
Contractual adjustments, discounts, charity	(350,000,000)	(450,000,000)
Provision for bad debts	(80,150,000)	(60,350,000)
	469,850,000	489,650,000
Difference in patient care revenues	(19,800,000)	
Less: Healthcare-related expenses attributed in Step #1	677,000	
	$ (19,123,000)	
Total Claimed:		
Expenses	$ 677,000	
Lost revenues	19,123,000	
	$ 19,800,000	

- PRF not fully expended on healthcare-related expenses attributable to coronavirus are then applied to patient care lost revenues
- Net of bad debts
- Must include PRF expense amount from step 1 as 2020 revenue in step 2
- Presented by payor, by quarter
- The actual reporting required may be more detailed.
- Because Step 1 impacts Step 2, overall result is higher of the two

Calculations are for illustration purposes only.

Post-Payment Notice of Reporting Requirements

- New revenue streams/service lines?
- List monthly payments related to mortgage – additional clarification needed ?
- If funds remain unused after December 31, 2020, recipients will have an additional six months to apply unused funds toward expenses attributable to coronavirus but not reimbursed by other sources, or to apply toward lost revenues

Revenue Recognition Guidance

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AICPA Revenue Recognition Guidance

- Technical Questions and Answers 6400 –
  - .63 – Background on CARES Act
  - .64 – Accounting for PRF Phase 1
  - .65 – Recognition of Uncertainties of PRF Funds
  - .66 – Period of Accounting for PRF Funds
  - .67 – Accounting for Uninsured Pool
  - .68 – Accounting for Medicare Accelerated and Advance Payments
  - .69 – Accounting for Temporary Increases in Medicare/Medicaid Payments
  - .70 – FEMA Public Assistance Payments to NFP entities

(https://www.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-6400-63-70.pdf)

6400.64 – Accounting for PRF Phase 1

- Not-for-profit entities
  - Non-exchange transaction under ASC 958-605 (ASU 2018-08)
  - Conditional vs. Non-Conditional
  - Revenue is recognized when barriers are met
  - Requires consideration of restricted use of the funds but can have a policy election to be released in the same period as the funds are spent
  - Payments received that exceed recognizable contribution revenue are reported as refundable advances
  - When is the barrier met and do you have measurement uncertainty?

6400.64 – Accounting for PRF Phase 1

- For-profit entities – have options
  - Analogize to ASC 958-605 (ASU 2018-08)
  - International Accounting Standard (IAS) 20
    - Recognize income when there is reasonable assurance that a recipient will comply with the conditions of the grant and has received the grant
    - Once reasonable assurance is met recognize revenue on a systematic basis over the period
  - FASB ASC 450 – 30 Gain Contingencies
    - Recognize revenue when all contingencies have been met

Factors to consider in Recognizing Revenue

- Everyone has different facts and circumstances
- May have to use a combinations of actual and budgeted amounts to analyze the measurement uncertainty under ASC 2018-08
- Should disclose your accounting policy in the footnotes to the financial statements

Questions with Post Payment Guidance

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Reporting Requirements – General

Total Revenue/Net Charges from Patient Care Related Sources

- Calendar year by quarter (Jan–Mar; Apr–Jun; Jul–Aug; Sep–Dec)
- By Payor Mix

Medicare A+B	Commercial
Medicare Part C	Self-pay
Medicaid	Other

Patient care – health care, services and supports. Excluding – insurance, retail or real estate values, except SNF and grants or tuition.

Reporting Requirements

FINANCIAL

- List other Assistance
  - PPP Loan
  - Cares Act
  - FEMA
  - Reimbursement for COVID testing
  - Business Interruption
  - State, local and tribal assistance
  - Other

NON-FINANCIAL

- Change in Ownership
- Personnel Metrics
- Patient Metrics
- Facility Metrics

Recommendations /Actions

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Recommendations

- Identify and document expenses attributable to coronavirus
- Allocate expenses to funding sources (no double dipping)
- Begin to prepare to gather quarterly reporting information
  - Focus on patient service-related items (revenue/expense)
  - Highlight unique one-time items
  - Compare to the prior year
- Discuss with your auditor
- Remember Single Audit requirement over $750,000 expended

Action Steps

- Contact your Congress person
- Work with state hospital association lobby
- Work with HFMA lobby
- Work with AHA lobby
- AICPA - Healthcare Entities Expert Panel

This notice informs recipients of the categories of data elements that recipients must submit for calendar years 2019 and 2020 as part of the reporting process. HRSA plans to offer Question & Answer Sessions via webinar in advance of the reporting deadline, and as needed, HRSA will also issue Frequently Asked Questions to aid in the reporting process.

Action Steps – Most Significant "Asks"

- Exclude patient revenue from "other sources"
- Step 1 should not factor into Step 2
- Normalization adjustments
- Intra-System transfer of targeted funds

Questions?

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