TOYON ASSOCIATES, INC.

Provider Relief Update

COVID-19 Cost Recognition

June 24, 2021

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Contents

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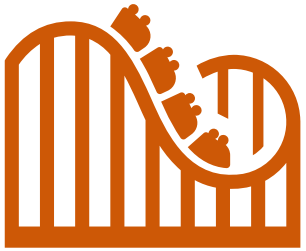

- The content in this presentation is focused primarily on hospitals.
- The information is current to on or about June 24, 2021.
- To date, the portal for reporting CARES PHSSEF amounts is open for registration only, the portal is slated to open July 1, 2021.

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Provider Relief Funding

Allocations

General and Targeted Provider Distributions

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Hospital Funding Allocations

Allocation	Amount ($ in Billions)
Phase 1 Initial Allocation (MCR FFS Claims)	$30.00
Phase 1 Additional Allocation to 2% Net Patient Service Revenue	16.02
Phase 2 General (2% NPSR)	5.98
Phase 3 (Round 1) General Pmts and Add-On	24.50
Targeted High Impact (Rounds 1 and 2)	20.75
Targeted Safety Net (Rounds 1 and 2)	14.12
Targeted Rural (Rounds 1 and 2)	11.09
American Rescue Plan Act (Rural Hospitals) – No details yet	**8.50**
~~Targeted Skilled Nursing Facility (SNF)~~	10.00
Consolidated Appropriations Act, 2021 – No details yet	**3.00**
HRSA Uninsured Claims est. YTD	7.10
Indian Health Service (IHS)	0.52
Total Allocation	**$151.58**
Total Attested as of June 24, 2021	**$117.80**
Difference (Unattested Funds)	**$33.78**

Evaluation of Est. Remaining PHSSEF		
Funds	**Excl. Unattested**	**Incl. Unattested**
Total Appropriated Funding	**$182.50**	**$182.50**
Operation Warp Speed Allocation	($10.00)	($10.00)
Total Appropriated Funding Net of Operation Warp Speed	**$172.50**	**$172.50**
Est. Amount of Remaining Funds	$20.92	$54.70
85% of Remaining Funds	**$17.78**	**$46.50**

$182.5 billion total funds

- **$96 billion** Public Health and Social Services Emergency Fund *(PHSSEF, a Section of the CARES Act H.R. 748)*
- **$75 billion** Paycheck Protection Program & Health Care Enhancement Act *(PL 116-139)*
- **$8.5 billion** American Rescue Plan Act
- **$3 billion** Consolidated Appropriations Act, 2021
- The Consolidated Appropriations Act earmarks **85% of all remaining PRF** amounts to hospitals.

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Notable New Coronavirus Funding Allocations

American Rescue Plan Act

$8.5 billion for qualifying rural hospitals

- Rural hospitals | Rural Referral Centers | Providers in a MSA with less than 500,000
- Based on need including health care related expenses and lost revenues*.

Recommendation:

Along with direct costs, consider indirect and stranded costs of coronavirus to demonstrate the need for this funding:

✓ The inability to flex down during preparations for COVID-19 surges

✓ Rapid employee burnout and turnover

✓ Current labor costs and an unknown future

✓ Excess laboratory cost from pandemic

✓ Wear and tear on assets – shortening the useful life of an asset

Consolidated Appropriations Act

$3 billion for qualifying hospitals

- Financial losses & changes in op. expenses
- 3rd or 4th Q of CY 2020, or the 1st Q of CY 2021 (likely compared to 2019)

*Similar to the data that will be reported CARES funding HHS PRF Portal

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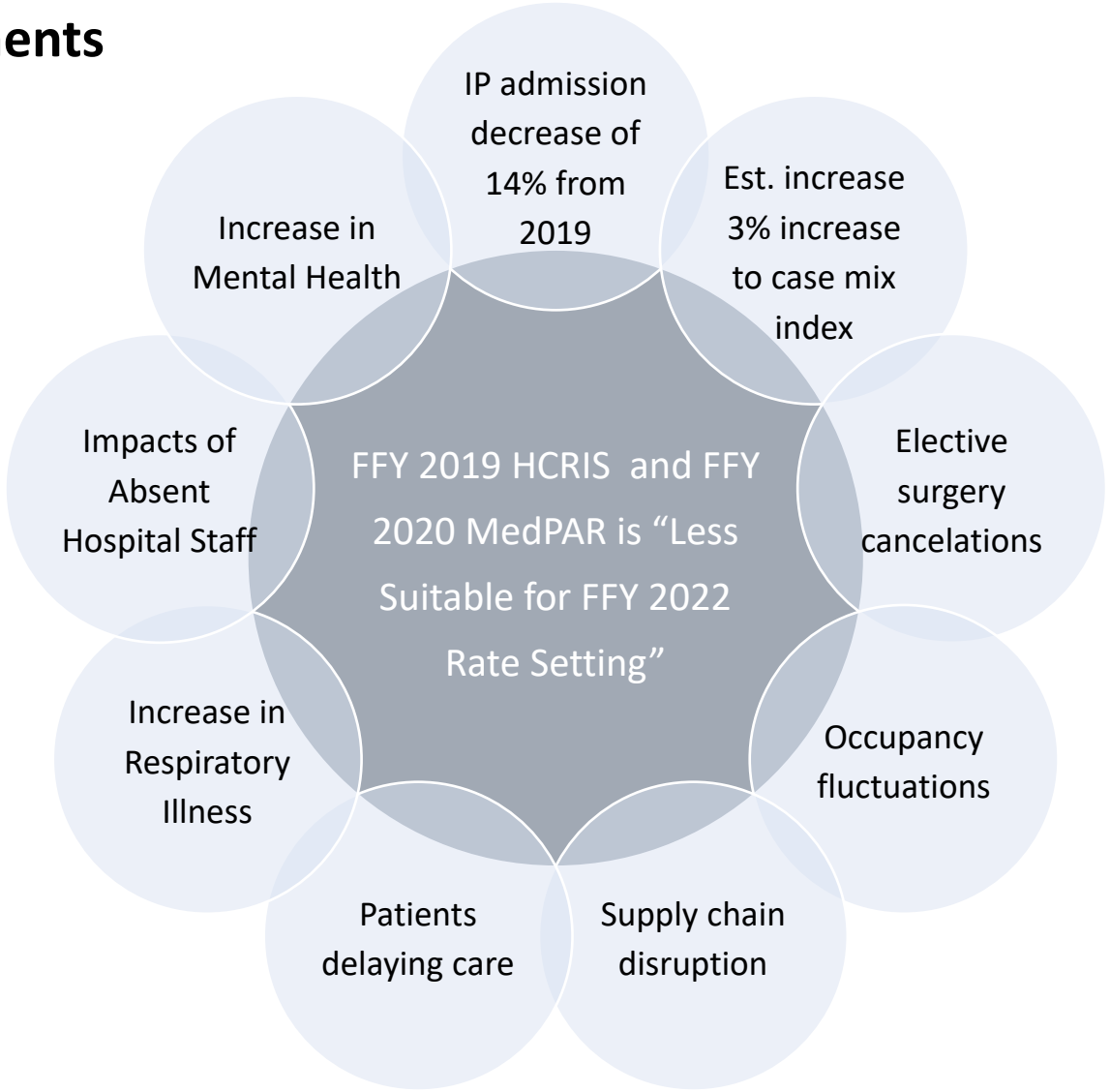
FFY 2022 IPPS Proposed Rule
Rate Setting and FFY 2022 Projected Payments

- **CMS proposes to use data before the PHE - FFY 2018 HCRIS and FFY 2019 MedPAR - for rate setting and projecting FFY 2022 Medicare IPPS payments.**
- CMS notes the effects of COVID-19 are not expected to continue into FFY 2022 (per a CDC study on vaccinations).
- CMS provides alternative data with FFY 2019 and FFY 2020 MedPAR to assess data pre and post COVID-19.



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CARES Funding Allocations – Use of the Medicare Cost Report

Fund	Amt	Description
General Fund*	$50bn	- 2% of Net Patient Service Revenue (NPSR) from Medicare cost report Worksheet (WS) G-3 Line 3 (2018/2019) - Supported by Tax Returns or Audited Financial Statements (if no tax returns)
High Impact (Round 1)	$12bn	- $2bn safety net add on to Round 1 of High Impact Payments - Payment equals % to total of all Disproportionate Share (DSH) Payments of Round 1 High Impact Providers - DSH payments are based on Medicaid eligible and total days (S-2, S-3 Pt. I) and Uncompensated Care (S-10) - Toyon estimates HHS used cost reports from Federal Fiscal Year (FFY) 2018 to makes this determination
Safety Net	$14.7bn	- *Gate 1:* Two consecutive years of 3% or less profit margin from past five years - Medicare cost report WS G-3 Line 29 / (Line 3+Line 25) - *Gate 2:* Medicare DSH Percentage (DPP) from WS E Pt A Line 32 > = 20.2% - Childrens hospitals use Medicare cost report WS S-3 Pt I (Medicaid Utilization Calc.) > = 20.2% - *Gate 3:* Uncompensated Care Cost per bed > = $25,000 (N/A for childrens hospitals) - Medicare cost report WS S-10 Line 30 / WS S-3 Pt I L 14 C 2
Rural	$11.3bn	- Qualifying hospitals include rural hospitals (e.g., Critical Access), hospitals in small metro areas, sole community hospitals (SCH) and Medicare Dependent Hospitals (MDH) - Payments of 1% to 1.97% of Operating Expenses from Medicare cost report WS G-3 Line 4 - Add on for Rural Days Percentage of Total Patient Days (CMS patient day file)

*Initial 1st tranche of $30bn used Medicare claims as Proxy to Expedite Payments. Total Phase 1 General Fund is $46bn.

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CARES Funding Allocations

Phase 3 Payment Methodology - January 28, 2021 FAQ

Q: What is the payment amount that an applicant should expect to receive from Phase 3 of the General Distribution?		
In addition to this amount (2% of NPSR), **providers will be paid up to 88 percent of their reported losses** (both lost revenue and health care-related expenses attributable to coronavirus incurred during the first half of 2020) **if losses exceeded 2 percent of annual revenue from patient care**	**Some applicants** may not receive this proportion of the losses reported on their applications, because HHS determined the reported revenues and operating expenses from **patient care were not exclusively from patient care** (as defined in the instructions) or **because reported figures were not reflected in submitted financial documentation**	Additionally, **some applicants** will not receive an additional payment either because they experienced no change in revenues or net expenses attributable to COVID-19, **or because they have already received funds that equal or exceed reimbursement of 88% of reported losses**

Q: What will be the methodology/formula used to calculate provider payment in Phase 3 General Distributions (modified 1/28/21)?

HHS:…Certain applicants **may not receive these full amounts** because HHS determined the revenues and operating expenses from patient care reported on their applications included figures that were not exclusively from patient care (as defined in the instructions), **reported figures were not reflected in submitted financial documentation, or reported figures were extreme outliers in comparison to other applicants of the same provider type**; instead, HHS capped the amount paid to these provider types based on industry estimates of revenue and operating expenses from patient care.

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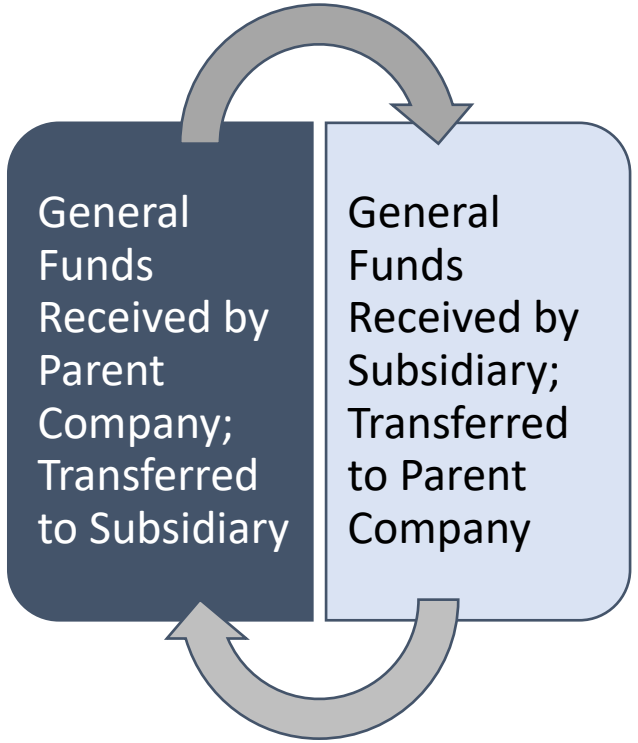
CARES Funding Allocations

General Funds (Phase 1, Phase 2, Phase 3)

Parent Company | Subsidiary Relationship

HHS June 11, 2021 PRF Reporting Guidance

- A parent entity may report on its subsidiaries' General Distribution payments **regardless of** whether the subsidiary TINs received the General Distribution payments directly from HRSA or **whether General Distribution payments were transferred to them by the parent entity**.
- The parent entity may report on these General Distribution payments regardless of whether the parent or the subsidiary attested to the Terms and Conditions.



General payments can be transferred between the parent company and subsidiaries

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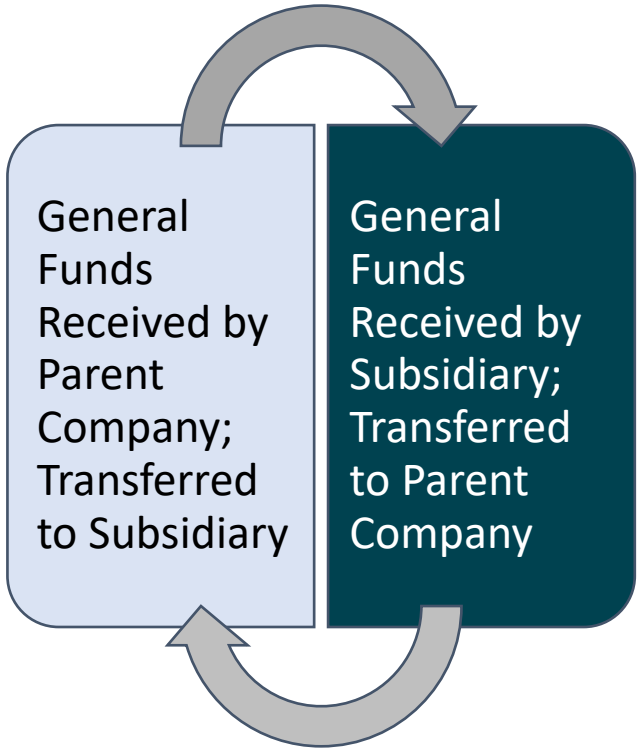
CARES Funding Allocations

General Funds (Phase 1, Phase 2, Phase 3)

Parent Company | Subsidiary Relationship



General payments can be transferred between the parent company and subsidiaries

Frequently Asked Question

- Can a parent organization transfer General Distribution Provider Relief Fund payments to its subsidiaries? (Modified 3/31/2021)
- Yes, a parent organization can accept and allocate General Distribution funds at its discretion to its subsidiaries, as long as the Terms and Conditions are met. Eligible health care entities, including those that are parent organizations must substantiate that these funds were used for health care-related expenses or lost revenue attributable to COVID-19, and that those expenses or losses were not reimbursed from other sources and other sources were not obligated to reimburse them.

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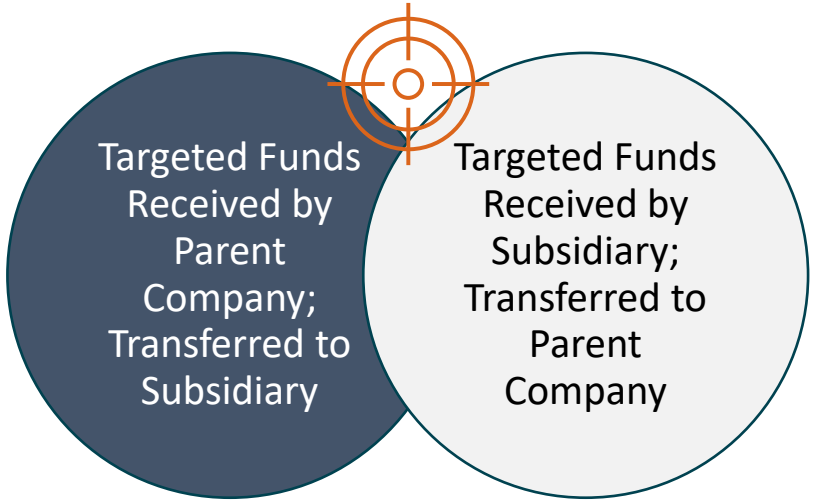
CARES Funding Allocations

Targeted Funds (i.e., Safety Net, High Impact, Rural)
Parent Company | Subsidiary Relationship

- It appears targeted funding can be transferred between a parent company and its subsidiaries.
- However, there is ambiguity in aligning expenses and lost revenue due to HHS reporting requirements that "a parent entity may not report on its subsidiaries' Targeted Distribution payments".
- Supporting the notion targeted funds can be transferred between a parent company and its subsidiaries, HHS reporting instructions ask providers to indicate if the targeted fund was transferred to/from the parent entity.

June 11, 2021 Guidance

- The original recipient of a Targeted Distribution payment is always the Reporting Entity. A parent entity may not report on its subsidiaries' Targeted Distribution payments.
- The original recipient of a Targeted Distribution must report on the use of funds in accordance with the CRRSA Act. This is required regardless of whether the parent or subsidiary received the payment or whether that original recipient subsequently transferred the payment.
- A Reporting Entity that is a subsidiary must indicate the payment amount of any of the Targeted Distributions it received that were transferred to/by the parent entity, if applicable.
- **Transferred Targeted Distribution payments face an increased likelihood of an audit by HRSA.**



Clarification on aligning expenses and lost revenues with transferred targeted payments is recommended

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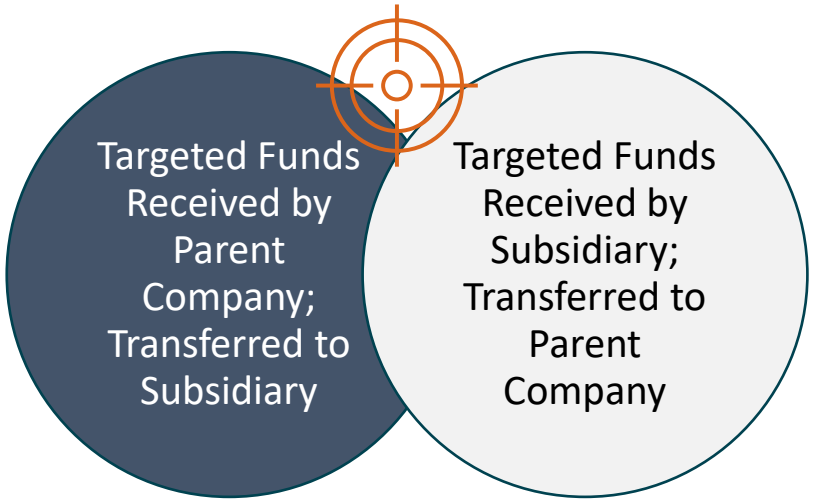
CARES Funding Allocations

Targeted Funds (i.e., Safety Net, High Impact, Rural)
Parent Company | Subsidiary Relationship

- It appears targeted funding can be transferred between a parent company and its subsidiaries.
- Supporting FAQ below states “The parent organization may allocate the Targeted Distribution up to its pro rata ownership share of the subsidiary to any of its other subsidiaries that are eligible health care providers.”



Clarification on aligning expenses and lost revenues with transferred targeted payments is recommended

Frequently Asked Question

Q: Can a parent organization with a direct ownership relationship with a subsidiary that received a Provider Relief Fund Targeted Distribution payment control and allocate that Targeted Distribution payment among other subsidiaries that were not themselves eligible and did not receive a Targeted Distribution (Modified 1/28/2021)?

A: Yes, in accordance with the Coronavirus Response and Relief Supplemental Appropriations Act. The parent organization may allocate the Targeted Distribution up to its pro rata ownership share of the subsidiary to any of its other subsidiaries that are eligible health care providers. To determine whether an entity is the parent organization, the entity must follow the methodology used to determine a subsidiary in their financial statements. If none, the entity with a majority ownership (greater than 50 percent) will be considered the parent organization.

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Provider Relief Funding

HHS Guidelines and FAQs - June 11, 2021 Update

Notable Revisions and Questions

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Coronavirus Expenses and Lost Revenue

Notable Revisions from 6/11/21 Reporting Guidelines

Four Reporting Periods (reported by quarter based on the "period of availability")

Payment Received Period (Payments Exceeding $10,000 in Aggregate Received)	Deadline to Use Funds	Reporting Time Period
Period 1: April 10, 2020 to June 30, 2020	June 30, 2021	July 1, 2021 to September 30, 2021
Period 2: July 1, 2020 to December 31, 2020	December 31, 2021	January 1, 2022 to March 31, 2022
Period 3: January 1, 2021 to June 30, 2021	June 30, 2022	July 1, 2022 to September 30, 2022
Period 4: July 1, 2021 to December 31, 2021	December 31, 2022	January 1, 2023 to March 31, 2023

- HHS permits rolling forward unreimbursed COVID-19 expenses from prior reporting periods
  - "PRF recipients may use payments for eligible expenses incurred prior to receipt of those payments (i.e., pre-award costs) so long as they are to prevent, prepare for, and respond to coronavirus."
- However, HHS does not address rolling forward excess revenue loss from the prior reporting period.
  - **It is likely lost revenue, like expenses, can be carried forward provided the amounts are not duplicated**.
  - It is expected HHS will clarify in a future FAQ, or other means of clarification.
- **AHA sent letter to HHS asking for additional time to use funding**
  - "Hospitals and health systems must be able to apply their PRF money toward these costs, which they will undoubtedly continue to incur beyond June 30 and through the end of the PHE, without regard to when the funds were originally received."
  - https://www.aha.org/news/headline/2021-06-23-hhs-urged-give-all-providers-more-time-spend-covid-19-relief-funds

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Coronavirus Expenses and Lost Revenue

Notable Revisions to HHS 6/11/21 Reporting Guidelines

- **Interest:** Dollar value of interest earned on those PRF payment(s). The total reportable use of PRF payments will include the interest earned on PRF payments.
- **Subsidiary Questionnaire:** Total dollar amount of Targeted Distribution payment(s) transferred to/by a parent entity, if applicable.
- **Tax and Single Audit Information including Single Audit Status**: Reporting Entities must indicate if they are subject to Single Audit requirements during 2019 through current fiscal years, and if yes, whether PRF payments are included in the Single Audit.
- **Hospital Survey:**
  - Impact of payments on overall operations
  - Maintenance of solvency and prevention of bankruptcy
  - Retention of staff and prevention of furlough
  - Re-hire or re-activation of staff from furlough
  - Facilitation of changes needed to operate during the pandemic
  - Ability to care for and/or treat patients with COVID-19 (applicable for treatment facilities), and
  - Impact on business or patient services (narrative, optional).

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Coronavirus Expenses and Lost Revenue

Notable Revisions to HHS 6/11/21 Reporting Guidelines

SNF and Nursing Home Infection Control Distribution Payments (if applicable)

- Recipients report on infection control expenses paid for with payments received through the SNF and Nursing Home Infection Control Distributions (including any interest earned), if the entity received funds from one of these Targeted Distributions. Expense categories will include General and Administrative and/or other Health Care-Related Expenses. Permissible expenses include:
  - Costs associated with administering COVID-19 testing
  - Reporting COVID-19 test results to local, state or federal governments
  - Hiring staff to provide patient care or administrative support
  - Providing additional services to residents
  - Other expenses incurred to improve infection control
- Per the Terms and Conditions of payment, **SNF and Nursing Home Infection Control Distribution payments may not be used to reimburse lost revenues**.

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Coronavirus Expenses and Lost Revenue

Questions from HHS 6/11/21 Reporting Guidelines

Question	Toyon's Take
Does HHS expect providers to report the 20% add-on to COVID-19 claims? It is not explicitly listed in examples.	Yes, this information is likely to be reported under the example listed as "Billing….Medicare/Medicaid/CHIP".
Does HHS expect providers to report Medicare (or other payer) outlier payments? It is not explicitly listed in examples.	Unknown, however providers reporting COVID-19 expenses under the marginal approach should account for these payments.
Does HHS expect providers to report New COVID-19 Treatments Add-on Payment (NCTAP)?	Yes, this information is likely to be reported under the example listed as "Billing….Medicare/Medicaid/CHIP". Identification of these amounts may be difficult due to payment threshold qualification.
How should future FEMA funds be accounted for?	FEMA funds received during the reporting time period should be reported as an offset to PRF. Any future funding from FEMA should be adjusted for funding received from the CARES PRF, and other COVID-19 funding sources.

Other Coronavirus Revenue Sources

HHS Examples

- Billing, commercial insurance, Medicare/Medicaid/Children's Health Insurance Program (CHIP)

- Other funds received from the federal government, including

- 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).

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Coronavirus Expenses and Lost Revenue

Questions from HHS 6/11/21 Reporting Guidelines (continued)

Question	Toyon's Take
Can I purchase operating and capital expenses and attribute the cost to PRF coverage?	Yes, providers must support the expense is to to prevent, prepare for, and respond to coronavirus. Toyon recommends HHS clarity how providers can use excess PRF carried over from prior periods to cover new expenses.
If a hospital transfers targeted funds to the parent company, how does the parent company recognize these funds since "a parent may not report on its subsidiaries Targeted Distribution payments" (the subsidiary is to indicate if the targeted fund was transferred to/from the parent entity).	Toyon recommends the industry seek reporting clarity from HHS in a future FAQ.
Can providers carry forward lost revenue amounts from prior reporting periods?	It is likely lost revenue, like expenses, can be carried forward provided the amounts are not duplicated (likely HHS FAQ to follow).

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Coronavirus Expenses and Lost Revenue

Questions from HHS 6/11/21 Reporting Guidelines (continued)

Question	Toyon's Take
How do providers report allowable "marginal expenses related to Coronavirus", while distinguishing these expenses apart from General & Administrative and/or Healthcare?	There is no strong correlation between expenses recorded cost center, GL, etc. and the marginal (direct and indirect) expenses related to COVID-19 "other" (i.e., prospective payment system reimbursement). Reporting all expenses as marginal and as "other" may raise audit flags - however, reporting under the marginal expense approach may be the best method for capturing direct and indirect COVID-19 expenses for certain providers. Not every COVID-19 expense will have a receipt – for instance, how would a provider calculate the expense related to excessive length of stay?
How do providers account for cost-based reimbursement when considering COVID-19 expenses and lost revenue?	Providers may offset the direct reimbursement received from cost- based providers as a COVID-19 funding source. However, providers should evaluate costs above what is reimbursed by the payer as COVID-19 expenses (i.e., Medicare reimburses costs under Medicare cost principles, Medicaid reimburses under Medicaid cost principles – these may not recognize all costs associated with patient care).
What is the definition of a parent company?	It appears the parent company is the legal "entity".

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HHS CARES Provider Relief Fund

PRF Reporting Step 1

Coronavirus Expenses Net of Revenue

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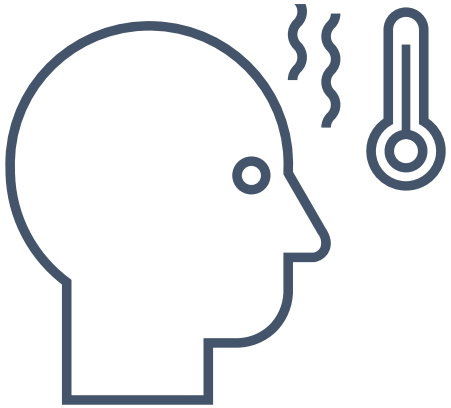
Coronavirus Expenses Net of Revenue



HHS states in many FAQs it broadly views every patient as a possible case of COVID-19.

HHS states it “broadly views every patient as a possible case of COVID-19; therefore, care does not have to be specific to treating COVID-19.”

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Coronavirus Expenses Net of Revenue

$10,001 and $499,999

Two broad categories:

(1) General & Administrative (G&A); and

(2) Healthcare

$500,000+

Greater detail in each subcategory of G&A and healthcare expenses:

1) G&A (seven categories)

2) Healthcare (five categories)

Healthcare Related Expenses Attributable to Coronavirus Not Reimbursed by Other Sources

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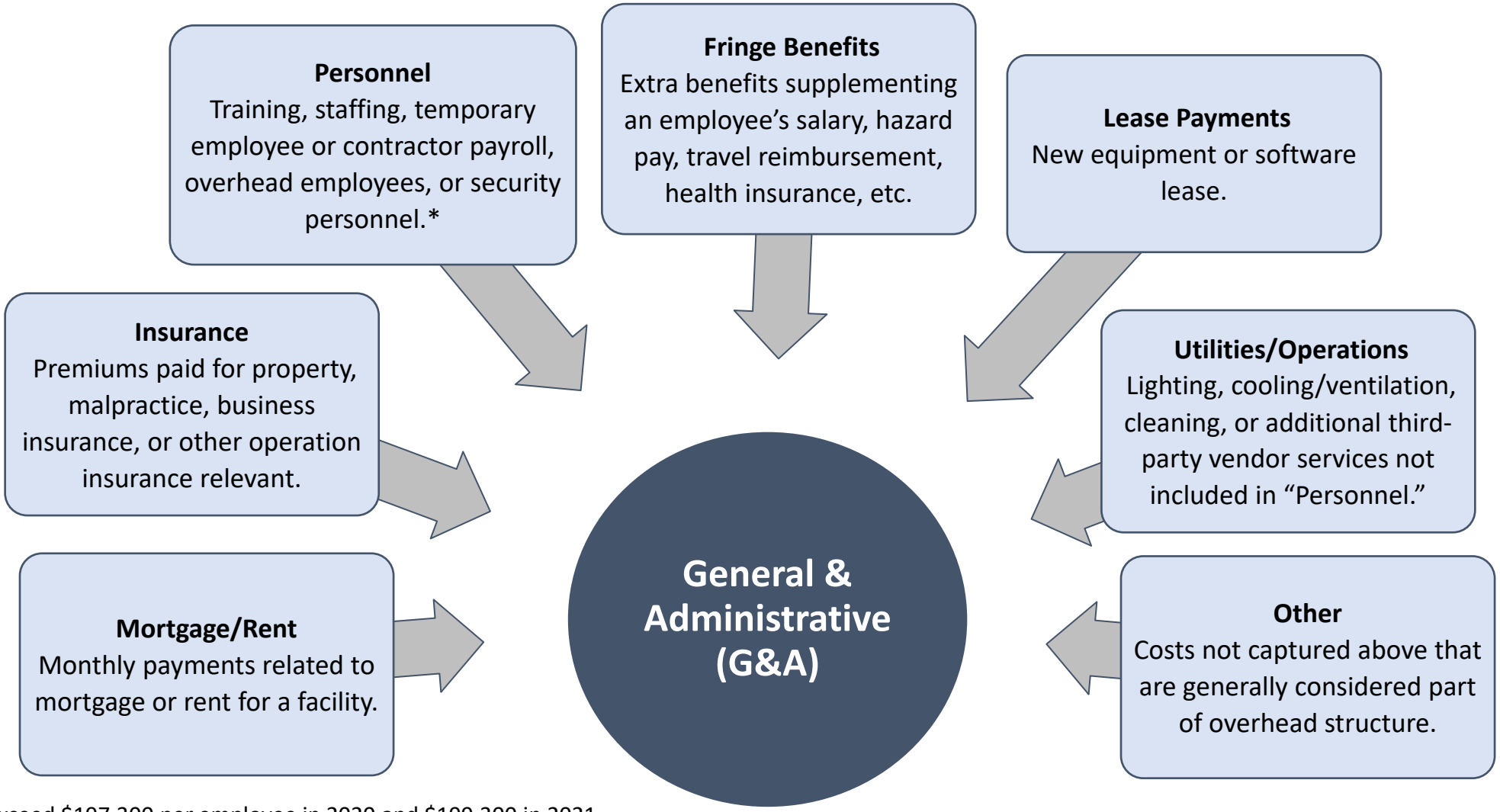
Coronavirus Expenses Net of Revenue



*Not to exceed $197,300 per employee in 2020 and $199,300 in 2021.

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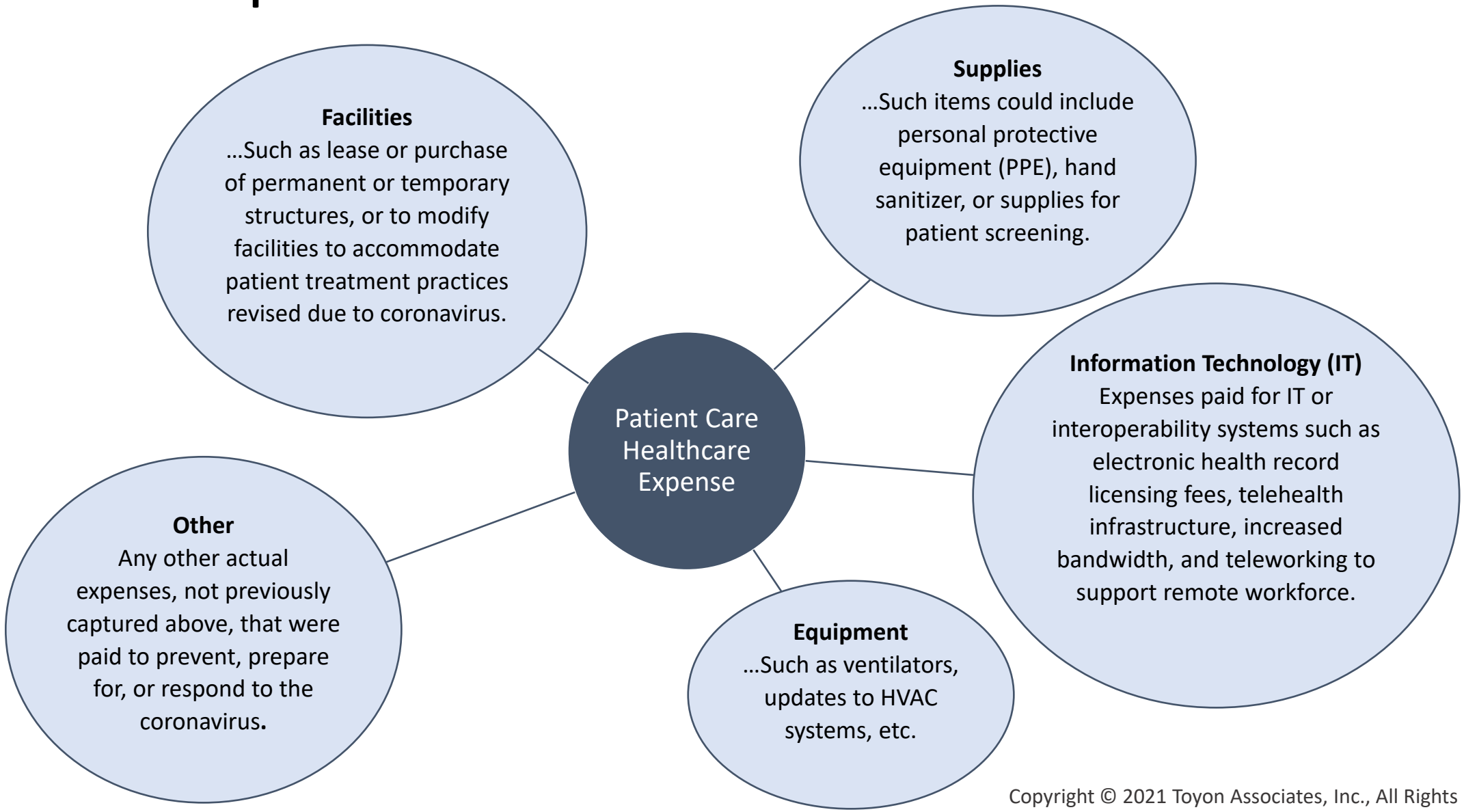
Coronavirus Expenses Net of Revenue



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Coronavirus Expenses Net of Revenue

Hypothetical Example: Reporting Coronavirus Direct Expenses by HHS Category (Net of Revenue)

	Reporting Period One		Reporting Period Two		
Expense Category	**January 1, 2020 - March 30, 2020**	**April 1, 2020 to June 30, 2020**	**July 1, 2020 to September 30, 2020**	**October 1, 2020 to December 31, 2020**	**Grand Total CY 2020**
G&A Mortgage/Rent	300,500	0	0	0	300,500
G&A Coronavirus related Personnel	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
G&A Fringe Benefits	220,000	220,000	440,000	0	880,000
G&A Lease Payments	675,000	0	0	0	675,000
G&A Utilities/Operations	9,000,000	4,000,000	3,600,000	0	16,600,000
Healthcare Supplies	1,100,000	600,000	0	0	1,700,000
Healthcare Equipment	100,000	900,000	0	0	1,000,000
Healthcare Facilities	500,000	300,000	0	0	800,000
Total Direct Expenses	**12,895,500**	**7,020,000**	**5,040,000**	**1,000,000**	**25,955,500**
Total Other Coronavirus Revenue	0	(800,000)	(600,000)	0	(1,400,000)
Total Net of Other Revenue	**12,895,500**	**6,220,000**	**4,440,000**	**1,000,000**	**24,555,500**
Step One with Pre-Award Carry Forward (CY 2020 Only)					
Total PRF with Interest	0	15,000,000	20,000,000	0	35,000,000
Total Direct Expenses Net of Other Revenue	12,895,500	6,220,000	4,440,000	1,000,000	24,555,500
Pre-Award Carry Forward Amount	0	12,895,500	4,115,500	(11,444,500)	
Total Expenses with Carry Forward Amount	**12,895,500**	**19,115,500**	**8,555,500**	**1,000,000**	**24,555,500**
Expenses vs. Net Funding	**12,895,500**	**4,115,500**	**(11,444,500)**	**(10,444,500)**	**(10,444,500)**

FOR SOME PROVIDERS: Direct Expense Approach Does Not Cover PRF

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Coronavirus Expenses Net of Revenue

REMOVED FROM 6/11/21 FAQs.

However, 6/11/21 FAQs still state "The Provider Relief Fund permits reimbursement of marginal increased expenses related to coronavirus provided those expenses have not been reimbursed from other sources or that other sources are not obligated to reimburse"

Issue: The "$85 FAQ"; Reporting Marginal Coronavirus Expenses Net of Revenue

- **There are material COVID-19 costs, like excessive patient length of stay, that are indirect and not captured in a general ledger of expenses.**
- This is like recognition of costs for Indirect Medical Education (IME)
- HHS has an FAQ stating the PRF permits reimbursement of marginal increases related to coronavirus
- This FAQ then provides an example of pre- and post-pandemic cost, going from $80 per patient in 2019 to $85 per patient in 2020
- The FAQ recognizes the marginal $5 increase in cost, net of any COVID-19 reimbursement
- This reporting approach (the marginal increase in cost per patient) is vastly different than reporting COVID-19 expenses, net of reimbursement – primarily because the marginal "$85 FAQ" captures the indirect costs not assigned to any cost center or general ledger account

Recommended Solutions for HHS

- **Develop a template** available to providers to execute the calculation representing a marginal increase in cost from 2019 to 2020, per the "$85 FAQ". This would eliminate any variation in how providers determine their marginal increase
- **Clarify the circumstances** when providers can determine their coronavirus expenses using the $85 FAQ marginal reporting approach vs. reporting specific coronavirus expenses net of reimbursement should be clarified
- **Explain PRF reporting "options"** under the marginal expense method vs. reporting coronavirus expenses per the general ledger (net of reimbursement)
- *It is not recommended providers report a mix of direct (from the general ledger) and marginal expenses, as this would be difficult to standardize and there would be a high risk of duplicating expenses

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Coronavirus Expenses Net of Revenue

REMOVED FROM 6/11/21 FAQs.

However, 6/11/21 FAQs still state "The Provider Relief Fund permits reimbursement of marginal increased expenses related to coronavirus provided those expenses have not been reimbursed from other sources or that other sources are not obligated to reimburse"

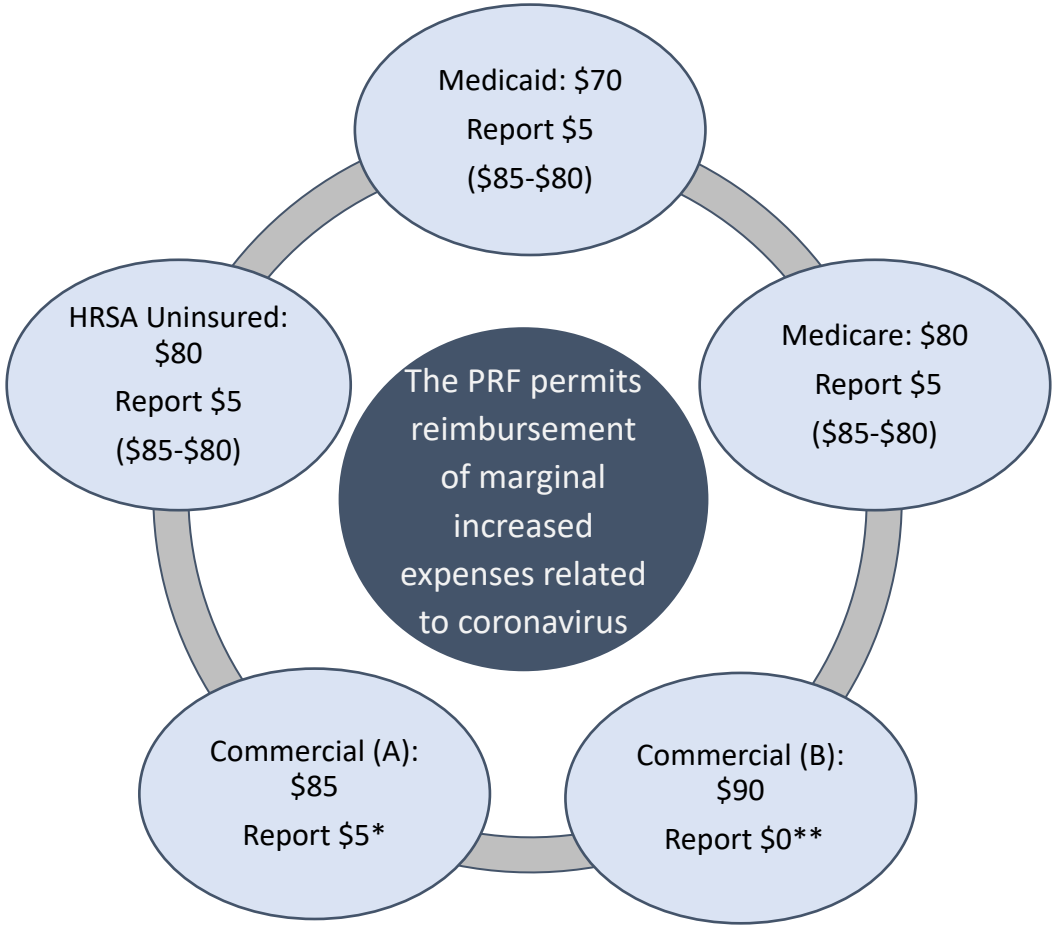
"The $85 FAQ"

FAQ: When reporting my organization's healthcare expenses attributable to coronavirus, how do I calculate the "expenses attributable to coronavirus not reimbursed by other sources?"

- **HHS:**…"Assume 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…"

*"Commercial insurer did not reimburse for $5 increased cost of post-pandemic office visit." Since the payor reimbursed at cost, it is recommended HHS provide further clarification on how this amount is determined."

**"$85 + $5 insurance supplemental coronavirus-related reimbursement. Report $0, since insurer reimbursed for $5 increased cost of post-pandemic office visit."



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Coronavirus Expenses Net of Revenue

Hypothetical Example: Reporting Coronavirus Direct and Indirect Expenses by HHS Category (Net of Revenue)

	Reporting Period One		Reporting Period Two		
Payer	**Increase in Cost per Beneficiary Q1 2020 vs. Q1 2019**	**Increase in Cost per Beneficiary Q2 2020 vs. Q2 2019**	**Increase in Cost per Beneficiary Q3 2020 vs. Q3 2019**	**Increase in Cost per Beneficiary Q4 2020 vs. Q4 2019**	**Grand Total CY 2020**
Medicare FFS	1,400,000	2,800,000	2,950,000	2,650,000	9,800,000
Medicare Managed Care	1,600,000	3,100,000	2,850,000	2,625,000	10,175,000
Medicaid FFS and Medicaid Managed Care	1,600,000	3,100,000	2,400,000	2,250,000	9,350,000
Commercial	1,100,000	1,850,000	2,050,000	1,900,000	6,900,000
Self Pay	120,000	300,000	225,000	185,000	830,000
Other	21,000	10,000	8,000	6,000	45,000
Total Direct and Indirect Expenses	**5,841,000**	**11,160,000**	**10,483,000**	**9,616,000**	**37,100,000**
Total Other Coronavirus Revenue	0	(800,000)	(600,000)	0	(1,400,000)
Total Net of Other Revenue	**5,841,000**	**10,360,000**	**9,883,000**	**9,616,000**	**35,700,000**

Step One with Pre-Award Carry Forward (CY 2020 Only)

Total PRF with Interest	0	15,000,000	20,000,000	0	35,000,000
Total Direct and Indirect Expenses	5,841,000	10,360,000	9,883,000	9,616,000	35,700,000
Pre-Award Carry Forward Amount	0	5,841,000	1,201,000	(8,916,000)	
Total Expenses with Carry Forward Amount	**5,841,000**	**16,201,000**	**11,084,000**	**700,000**	**35,700,000**
Expenses vs. Net Funding	**5,841,000**	**1,201,000**	**(8,916,000)**	**700,000**	**700,000**

FOR SOME PROVIDERS: Marginal Expense Approach Covers PRF

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Coronavirus Expenses Net of Revenue

Reporting Coronavirus Direct and Indirect Expenses by HHS Category (Net of Revenue)

- Volume based payors only (Exclude cost-based payers and capitation)
- Recognition of any indirect cost statistic assigned to the hospital(s) (from federal, state or other agency)
- Calculation by payer, by quarter
  - Cost / Discharges = Cost per IP Beneficiary
  - Cost / Visits = Cost per OP Beneficiary
  - Payer charges can be statistically allocated and converted to expenses
- Providers still report direct coronavirus G&A and healthcare expenses, and other statistical data
- With marginal approach of reporting costs, it is recommended an accompanying narrative is included to disclose logic and support behind this methodology

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Coronavirus Expenses Net of Revenue

FAQ: How does cost-based reimbursement relate to my Provider Relief Fund payment? (Modified 3/31/2021)

- Recipient must follow CMS instructions for completion of cost reports available at https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Paper-Based-Manuals-Items/CMS021935
- Under cost-based reimbursement, the payer agrees to reimburse the provider for the costs incurred in providing services to the insured population. In these instances, if the full cost was reimbursed based upon this method, there is nothing eligible to report as an expense attributable to coronavirus because the expense was fully reimbursed by another source.
- Provider Relief Fund payments cannot be used to cover costs that are reimbursed from other sources or that other sources are obligated to reimburse. Therefore, if Medicare or Medicaid makes a payment to a provider based on the provider's Medicare or Medicaid cost, such payment generally is considered to fully reimburse the provider for the costs associated with providing care to Medicare or Medicaid patients and no money from the PRF would be available for those identified Medicare and Medicaid costs.
- **However, in cases where a ceiling is applied to the cost reimbursement or the costs are not reimbursed under cost-based reimbursement (such as costs for care to commercial payer patients) since the reimbursed amount by Medicare or Medicaid does not fully cover the actual cost, those non-reimbursed costs are eligible for reimbursement under the Provider Relief Fund.**

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OMB Single Audit Guidance

2 CFR PART 200, APPENDIX XI | COMPLIANCE SUPPLEMENT | ADDENDUM

December 2020

NOTE: Auditors must use this 2020 Addendum and the 2020 Compliance Supplement together

Applies to providers with $750,000+ in aggregated federal financial assistance during their fiscal year

APPENDIX VII OTHER AUDIT ADVISORIES | I. Novel Coronavirus (COVID-19)

Agency Guidance Document References for Programs in the Addendum

- "The COVID-19 pandemic has led many federal agencies to issue implementing guidance (e.g., frequently asked questions, memos) outside of the normal regulatory process for new and existing programs receiving COVID-19 funding.
- **Such guidance [FAQs] is issued to communicate an agency's understanding of how the relevant statutes, regulations, or the terms and conditions of the federal awards to the extent they exist and apply to a particular circumstance, but it does not create new compliance requirements. Due to the evolving nature of the pandemic environment, it has been common for federal agencies to update, change, or delete their specific guidance over time**..."
- …When citing criteria for audit findings, 2 CFR 200.516(b)(2) indicates the following information must be included in finding detail: "The criteria or specific requirement upon which the finding is based, including the Federal statutes, regulations, or the terms and conditions of the Federal awards." **Therefore, auditors should refer to a statute, regulation, or term and condition as criteria for the audit finding**.

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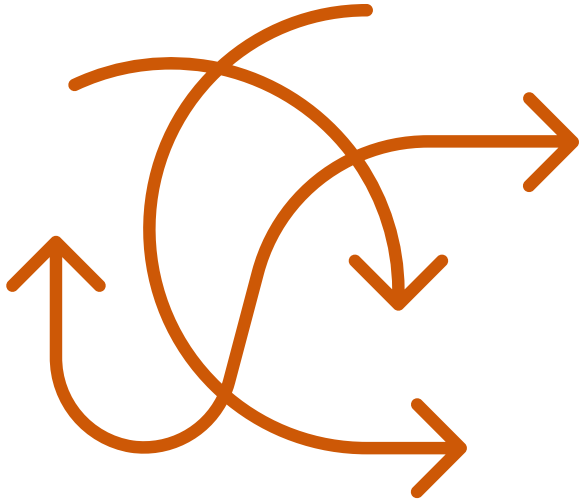
HHS CARES Provider Relief Fund

PRF Reporting Step 2



Patient Care Lost Revenues

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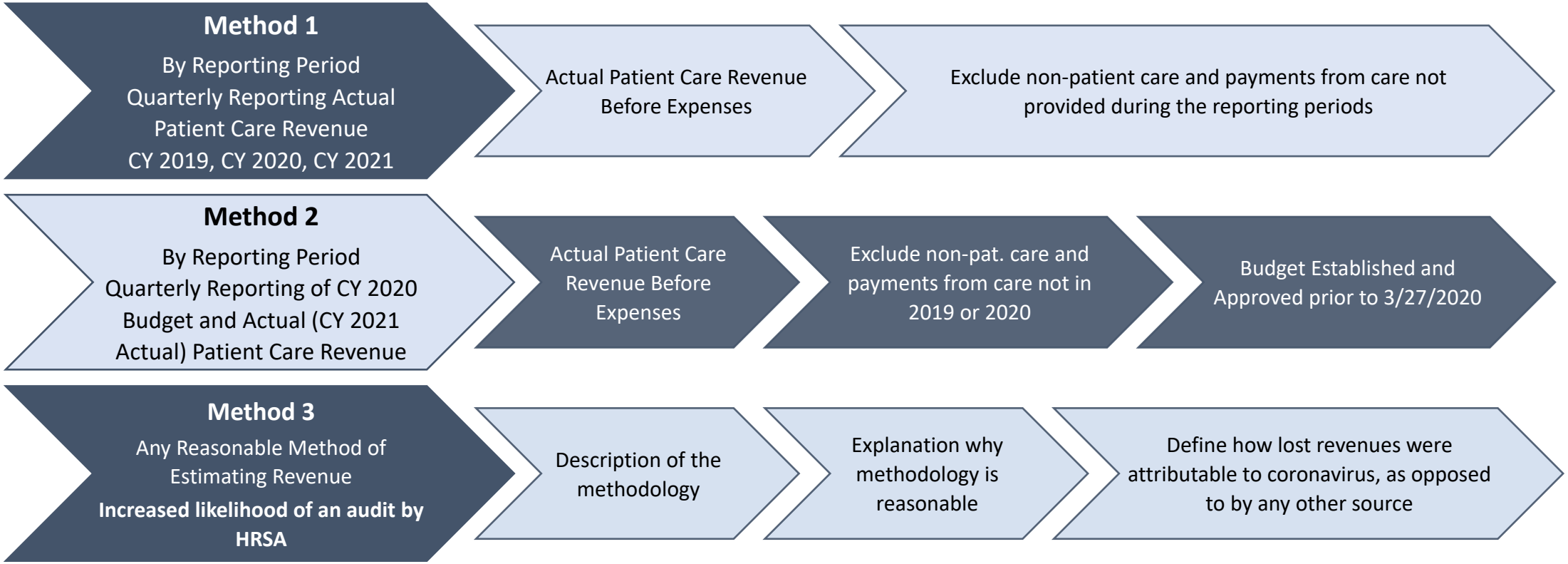
Patient Care Lost Revenues

Step 2: PRF payment amounts not fully expended on healthcare related expenses attributable to coronavirus are then applied to patient care lost revenues



Method 3 examples | observations: 1) Irregular Revenue in 2019 (Implementation of New Patient Accounting Software); 2) Closure of Neighbor Hospital, resulting in both increase in revenue and expenses: Would HHS allow the impact shown as the difference in net losses from CY 2019 to CY 2020 and CY 2021?

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Patient Care Lost Revenues

Issue 1:

Hospital Patient Care Revenue is Complex

Provider Relief Fund recipients shall exclude from the reporting of net patient revenue payments received or payments made to third parties relating to care not provided in 2019 or 2020.*

Conflicting Concepts

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 source**s include fundraising revenues, **grants** or donations if they contribute to funding patient care services.

***Medicaid supplemental revenue may not be related to care provided in 2019, 2020 or 2021**

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Patient Care Lost Revenues

Issue 2:

Duplication reporting revenue in step 1 related to coronavirus expenses and <u>again</u> in step 2 as revenue loss

In **step 1**, providers already report coronavirus expenses net of reimbursement

For instance, consider the following relief payments: FEMA, Cost Based, Medicare 20% DRG add-on, HRSA Uninsured Program

In **step 2**, HHS requests hospitals to report lost revenue, including revenue from all payors and "other"

This step duplicates the revenue already accounted for in step 1.

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Other Funding and Provisions

American Rescue Plan Act

Consolidated Appropriations Act

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Medicare Cost Reporting

COVID-19 revenue is not offset on WS A-8

Payment Protection Program (PPP) loan forgiveness amounts are not offset on WS A-8

Medicare Cost Report

PRF Revenue Reporting

Hospital CMS-2552-10, Worksheet G-3, line 24.50

Skilled Nursing Facility, form CMS-2540- 10, Worksheet G-3, line 24.50

HHA, form CMS-1728-94, Worksheet F-1, line 31.50

hospice, form CMS-1984-14, Worksheet F-2, column 3, line 16.50

ESRD, form CMS-265-11, Worksheet F-1, line 31.50

FQHC, form CMS-224-14, Worksheet F-1, line 28.50

CMHC, form CMS-2088-17, Worksheet F, line 20.50

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American Rescue Plan Act of 2021 – Recovery Funds

Reference	Funding	Description
SEC. 9901. CORONAVIRUS STATE FISCAL RECOVERY FUND	$219.8bn	Cover coronavirus costs incurred by the State, territory, or Tribal government, by December 31, 2024…Respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and **nonprofits**…provide **grants to eligible employers that have eligible workers who perform essential work;** for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency…
SEC. 9901. CORONAVIRUS LOCAL FISCAL RECOVERY FUND	$130.2bn	Payments through December 21, 2024 to metropolitan cities, nonentitlement units of local government, and counties to mitigate the fiscal effects stemming from the public health emergency with respect to the Coronavirus Disease (COVID–19)…Respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and **nonprofits**…Provide **grants to eligible employers that have eligible workers who perform essential work**; for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency…
SEC. 604. CORONAVIRUS CAPITAL PROJECTS FUND	$10bn	Payments to States, territories, and Tribal governments to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease (COVID–19).

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Consolidated Appropriations Act
TITLE I—MEDICARE PROVISIONS

Purpose: Providers that were CAHs or Rural hospitals with less than 50 beds before December 27,2020 may seek optional payment beginning January 1, 2023. REH services provide ED, observation, outpatient hospital, telehealth, ambulance, and skilled nursing services.

Recommendation: Providers should evaluate any hospitals eligible for this reimbursement change (105% of PPS rate and additional monthly facility payment). A hospital must present a detailed transition plan, specifying services. Level 1 or Level 2 trauma center transfer agreements are required.

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Consolidated Appropriations Act of 2021
TITLE I—MEDICARE PROVISIONS

SEC. 130 IMPROVING RURAL HEALTH CLINIC PAYMENTS

- **Purpose:** RHC payment limits of $100 per visit after 3/31/21 (from $87 per visit) increasing each year to $190 per visit in 2028. Includes Providers-based RHCs, less than 50 beds, enrolled in Medicare by 12/31/2020. RHCs enrolled before 12/31/2020 will have a clinic-specific cap based on their respective 2020 all inclusive rate.
- **Recommendation:** Providers with RHCs should model revised payments with the updated payment limit schedule. Providers receive the lower of RHC's Medicare cost per visit or the new annual caps.

SEC. 132. MEDICARE PAYMENT FOR CERTAIN FEDERALLY QUALIFIED HEALTH CENTER AND RURAL HEALTH CLINIC FURNISHED TO HOSPICE PATIENTS

- **Purpose:** For services on/after January 1, 2022, by an attending physician (other than a physician or practitioner who is employed by a hospice program) who is employed by or working under contract with a rural health clinic, a rural health clinic shall be paid for all inclusive rates.

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American Rescue Plan Act

SEC. 2604. FUNDING FOR TEACHING HEALTH CENTERS THAT OPERATE GRADUATE MEDICAL EDUCATION

$330m until September 30, 2023 | Health and Human Services

Purpose:

Payments to **teaching health centers that operate graduate medical education** 340H of the Public Health Service Act and teaching health center development grants authorized under section 749A of the Public Health Service Act

Use:

- ✓Establish new approved graduate medical residency training programs, **an increase to the per resident amount of $10,000**
- ✓Make payments to qualified teaching health centers for maintenance of filled positions at existing approved graduate medical residency training programs
- ✓Make payments for the expansion of existing approved graduate medical residency training programs
- ✓Make awards to teaching health centers for the purpose of establishing new accredited or expanded primary care residency programs
- ✓Cover administrative costs and activities necessary for qualified teaching health centers

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American Rescue Plan Act of 2021
Rural Grants

Reference	Funding	Description
SEC. 1002. EMERGENCY RURAL DEVELOPMENT GRANTS FOR RURAL HEALTH CARE	$500m	Establish emergency pilot program for rural development needs in impoverished areas related to the COVID–19 pandemic.
SEC. 2601. FUNDING FOR COMMUNITY HEALTH CENTERS AND COMMUNITY CARE	$7.6bn	Provide grants and cooperative agreements for Funding for Health Centers (42 U.S.C. 254b).
SEC. 2703. FUNDING FOR MENTAL HEALTH AND SUBSTANCE USE DISORDER TRAINING FOR HEALTH CARE PROFESSIONALS, PARAPROFESSIONALS, AND PUBLIC SAFETY OFFICERS	$80m	Award grants or contracts including to health professions schools, academic health centers, State or local governments, or other appropriate public or private nonprofit entities …considering the needs of rural and medically underserved communities.

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American Rescue Plan Act of 2021 Grants

Reference	Funding	Description
SEC. 2401. FUNDING FOR COVID–19 TESTING, CONTACT TRACING, AND MITIGATION ACTIVITIES	$47.8bn	Carry out activities to detect, diagnose, trace, and monitor SARS–CoV–2 and COVID–19 infections and related strategies to mitigate the spread of COVID–19…award grants or cooperative agreements to State, local, and territorial public health departments for activities to detect, diagnose, trace, and monitor SARS–CoV–2 and COVID–19 infections and related strategies and activities to mitigate the spread of COVID–19
SEC. 2701. FUNDING FOR BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	$1.5bn	Mental health block grant
SEC. 2702. FUNDING FOR BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	$330m	Substance abuse block grant
SEC. 2707. FUNDING FOR COMMUNITY-BASED FUNDING FOR LOCAL BEHAVIORAL HEALTH NEEDS	$50m	Provide grants to State, local, Tribal, and territorial governments, Tribal organizations, nonprofit community-based entities, and primary care and behavioral health organizations to address increased community behavioral health needs worsened by the COVID–19 public health emergency
SEC. 2713. FUNDING FOR EXPANSION GRANTS FOR CERTIFIED COMMUNITY BEHAVIORAL HEALTH CLINIC	$30m	Grants to communities and community organizations that meet the criteria for Certified Community Behavioral Health Clinics pursuant to section 223(a) of the Protecting Access to Medicare Act of 2014 (42 U.S.C. 1396a note).

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American Rescue Plan Act | Consolidated Appropriations Act Other

Reference	Funding	Description
SEC. 201. ELIMINATING DSH REDUCTIONS FOR FISCAL YEARS 2021 THROUGH 2023 (CAA)	-$8bn	Postpones DSH Cuts to FY2024 through FY2027 with reduction amount of $8.0bn for the three-year period.
SEC. 203. MEDICAID SHORTFALL AND THIRD-PARTY PAYMENTS (CAA)	N/A	Medicaid DSH payment adjustments are not consistent with 42 U.S.C. 1396r–4 (subsection (c)) if the payment adjustment exceeds the costs to low-income patients minus Medicaid DSH adjustments and payments by uninsured patients for such services.
SEC. 4005. FEDERAL EMERGENCY MANAGEMENT AGENCY APPROPRIATION (ARPA)	$50bn	In addition to amounts otherwise available, there is appropriated to the Federal Emergency Management Agency for fiscal year 2021, out of any money in the Treasury not otherwise appropriated, $50,000,000,000, to remain available until September 30, 2025, to carry out the purposes of the Disaster Relief Fund for costs associated with major disaster declarations.
SEC. 9401. PROVIDING FOR INFECTION CONTROL SUPPORT TO SKILLED NURSING FACILITIES THROUGH CONTRACTS WITH QUALITY IMPROVEMENT ORGANIZATIONS (ARPA)	$200m	Requires organizations to provide to skilled nursing facilities infection control and vaccination uptake support relating to the prevention or mitigation of COVID–19.

Relevant article on Medicaid transformation and American Rescue Plan Act: https://khn.org/news/article/biden-quietly-transforms-medicaid-safety-net/

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American Rescue Plan Act of 2021
Vaccines

Reference	Funding	Description
SEC. 2301. FUNDING FOR COVID–19 VACCINE ACTIVITIES AT THE CENTERS FOR DISEASE CONTROL AND PREVENTION	$7.5bn	State, locality, or territory to carry out activities to plan, prepare for, promote, distribute, administer, monitor, and track COVID–19 vaccines.
SEC. 2302. FUNDING FOR VACCINE CONFIDENCE ACTIVITIES	$1bn	Strengthen vaccine confidence, further vaccine information and education; and improve rates of vaccination throughout the United States and territories.
SEC. 2303. FUNDING FOR SUPPLY CHAIN FOR COVID–19 VACCINES, THERAPEUTICS, AND MEDICAL SUPPLIES	$6.05bn	Expenses with respect to research, development, manufacturing, production, and the purchase of vaccines, therapeutics, and ancillary medical products and supplies to prevent, prepare, or respond to SARS–CoV–2 or any viral variant mutating therefrom with pandemic potential; and COVID–19 or any disease with potential for creating a pandemic.

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Thank you

For updates, summaries, supporting details, and COVID-19 funding models please visit:
https://www.toyonassociates.com/latest-covid-19-resources/

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