



**TOYON** ASSOCIATES, INC.

# **CARES Provider Relief Fund Update**

October 4, 2021

Find us on   

Copyright © 2021 Toyon Associates, Inc., All Rights Reserved



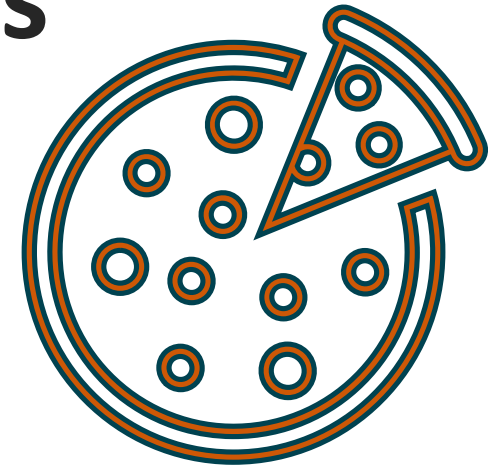


# Table of Contents

- PRF Funding Allocations  
Pgs. 3 - 11
- Reporting Period 1 Grace Period and Recent FAQs  
Pgs. 12 – 16
- COVID-19 Patient Care Expenses  
Pgs. 17 – 27
- Lost Revenues and Other Assistance Received  
Pgs. 28 – 33
- Hypothetical Scenarios for Provider PRF Reporting  
Pgs. 34 – 38



# Funding Allocations





## Hospital Funding Allocations

toyonassociates.com

Key	Allocation	Amount (Billions)
A	Phase 1 Initial Allocation (MCR FFS Claims)	30.0
B	Phase 1 Additional Allocation to 2% Net Patient Service Revenue	16.0
C	Phase 2 General (2% NPSR)	6.0
D	Phase 3 Payments – <b>New Redetermination</b>	<b>24.5</b>
E	<b>New Phase 4 Allocation</b>	<b>17.0</b>
F	Targeted High Impact (Rounds 1 and 2)	20.8
G	Targeted Safety Net (Rounds 1 and 2)	14.1
H	Targeted Rural (Rounds 1 and 2)	11.1
I	<b>American Rescue Plan Act (ARA, Rural Funding)</b>	<b>8.5</b>
J	Targeted Skilled Nursing Facility (SNF)	10.0
K	Consolidated Appropriations Act, 2021 Addtl Funding	3.0
L	Est. HRSA Uninsured Claims	7.1
M	Indian Health Service (IHS)	0.5
<b>N = Sum A:M</b>	<b>Total Allocation</b>	<b>168.6</b>

O	Total Attested as of September 30, 2021	(118.7)
<b>P = N+O</b>	<b>Difference (Unattested Funds)</b>	<b>49.9</b>

Q = E*1	Phase 4	(17.0)
R*-1	ARA Rural	(8.5)
<b>S = P+Q+R</b>	<b>Difference Net of New Funding</b>	<b>24.4</b>

	Funds	Excl. Unattested
T	Total Appropriated Funding	182.5
U	Operation Warp Speed Allocation	(10.0)
V = T+U	Total Appropriated Funding Net of Operation Warp Speed	172.5
<b>W = N+V</b>	<b>Est. Amount of Remaining Funds</b>	<b>3.9</b>

### ~\$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.



# New PRF Allocations

## PRF Phase 4

toyonassociates.com

### Phase 4 Consolidated Appropriations Act

**\$17 billion**

\$12.5 billion base funding for small, medium and large providers

Additional Supplement to small and medium providers

Size determined by patient care revenue after HRSA receives applications

\$4.25 billion bonus payments for qualifying providers serving Medicare, Medicaid and CHIP

Bonus payments may price Medicaid and CHIP claims at the Medicare rate

**Providers qualify based on losses to patient care operating income**

**CY 2020 Q3 and Q4 against CY 2019 Q3 and Q4**

**CY 2021 Q1 against CY 2019 Q1**



## PRF Phase 4 \$17 billion

toyonassociates.com

Details	Application	Payments	HRSA Assistance	Recommendation
<ul style="list-style-type: none"><li>• Like Phase 3</li><li>• No provider will receive 100% lost revenue and expenses (phase 3 was capped at 88%)</li></ul>	<ul style="list-style-type: none"><li>• One application for Phase 4 and Rural ARP</li><li>• Application will open on 9/29 for four weeks (<b>Deadline of 10/26/21 8:59 PT</b>)</li><li>• Access and/or reset account at <a href="#">Provider Relief Fund Application and Attestation Portal</a></li><li>• TIN and TINs for any subsidiaries included in the applicant TINs IRS tax filing</li></ul>	<ul style="list-style-type: none"><li>• Not processed HRSA receives all applications</li><li>• HRSA aiming at starting Payments in December (then into 2022 with more complex applications)</li></ul>	<ul style="list-style-type: none"><li>• 10/13 Webinar at 3 PM ET</li><li>• 10/21 Webinar at 3 PM ET</li><li>• Register here: <a href="https://www.hrsa.gov/provider-relief/future-payments">https://www.hrsa.gov/provider-relief/future-payments</a></li><li>• Technical Materials at <a href="https://www.hrsa.gov/provider-relief/future-payments/phase-4-arp-rural">https://www.hrsa.gov/provider-relief/future-payments/phase-4-arp-rural</a></li></ul>	<ul style="list-style-type: none"><li>• Collect and reconcile<ul style="list-style-type: none"><li>• Most recent tax documents and financial statements</li></ul></li><li>• NPSR and Operating Expenses for:<ul style="list-style-type: none"><li>• CY 2019 Q1 Q3 Q4</li><li>• CY 2020 Q3 Q4</li><li>• CY 2021 Q1</li></ul></li></ul>



# New PRF Allocations Phase 4 Application

## REVENUES

(10) Revenues: \$ \_\_\_\_\_

(11) Fiscal Year of Revenues: \_\_\_\_\_

(12) Revenue from Patient Care: \$ \_\_\_\_\_

(12.1) Select the Federal Tax Form you will upload to support Patient Care Revenue: \_\_\_\_\_



- “Source of truth” for provider revenue
- Will determine large, medium and small providers
- Used in calculation of provider loss ratio

### 13. OPERATING REVENUES FROM PATIENT CARE

(13.1) 2019 Q1 (Jan 1 – Mar 31): \_\_\_\_\_ (13.2) 2019 Q3 (July 1 – Sept 30): \_\_\_\_\_

(13.3) 2019 Q4 (Oct 1 – Dec 31): \_\_\_\_\_ (13.4) 2020 Q3 (July 1 – Sept 30): \_\_\_\_\_

(13.5) 2020 Q4 (Oct 1 – Dec 31): \_\_\_\_\_ (13.6) 2021 Q1 (Jan 1 – Mar 31): \_\_\_\_\_

### 14. OPERATING EXPENSES FROM PATIENT CARE

(14.1) 2019 Q1 (Jan 1 – Mar 31): \_\_\_\_\_ (14.2) 2019 Q3 (July 1 – Sept 30): \_\_\_\_\_

(14.3) 2019 Q4 (Oct 1 – Dec 31): \_\_\_\_\_ (14.4) 2020 Q3 (July 1 – Sept 30): \_\_\_\_\_

(14.5) 2020 Q4 (Oct 1 – Dec 31): \_\_\_\_\_ (14.6) 2021 Q1 (Jan 1 – Mar 31): \_\_\_\_\_



- Change in Operating Revenue and Operating Expense = Change in Operating Income
- It is likely providers with total losses (in this period) that exceed PRF payments will be eligible for Phase 4 payments.

<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/phase4-arp-sample-application-form.pdf>



## PRF Phase 4 Example Using Phase 3 Methodology

toyonassociates.com

Comparison of Quarterly Data (2019 is Baseline)	Change in Patient Care Operating Revenue	Change in Patient Care Operating Expenses	Change in Operating Income	Change in Operating Margin
2021 Q1 vs. 2019 Q1	(\$4,400,000)	\$10,000,000	(\$14,400,000)	-13.83%
Q2 is N/A				
2020 Q3 vs. 2019 Q3	(\$14,800,000)	\$4,400,000	(\$19,200,000)	-16.67%
2020 Q4 vs. 2019 Q4	(\$4,600,000)	\$0	(\$4,600,000)	-4.35%
<b>Total</b>	<b>(\$23,800,000)</b>	<b>\$14,400,000</b>	<b>(\$38,200,000)</b>	<b>-9.95%</b>
Loss Ratio (Losses Divided By Annual NPSR). HRSA adjusts hospitals with aberrant data related to this ratio using the mean and median loss ratios by provider type.				<b>-7.64%</b>

### Estimated Calculation Using Phase 3 Methodology

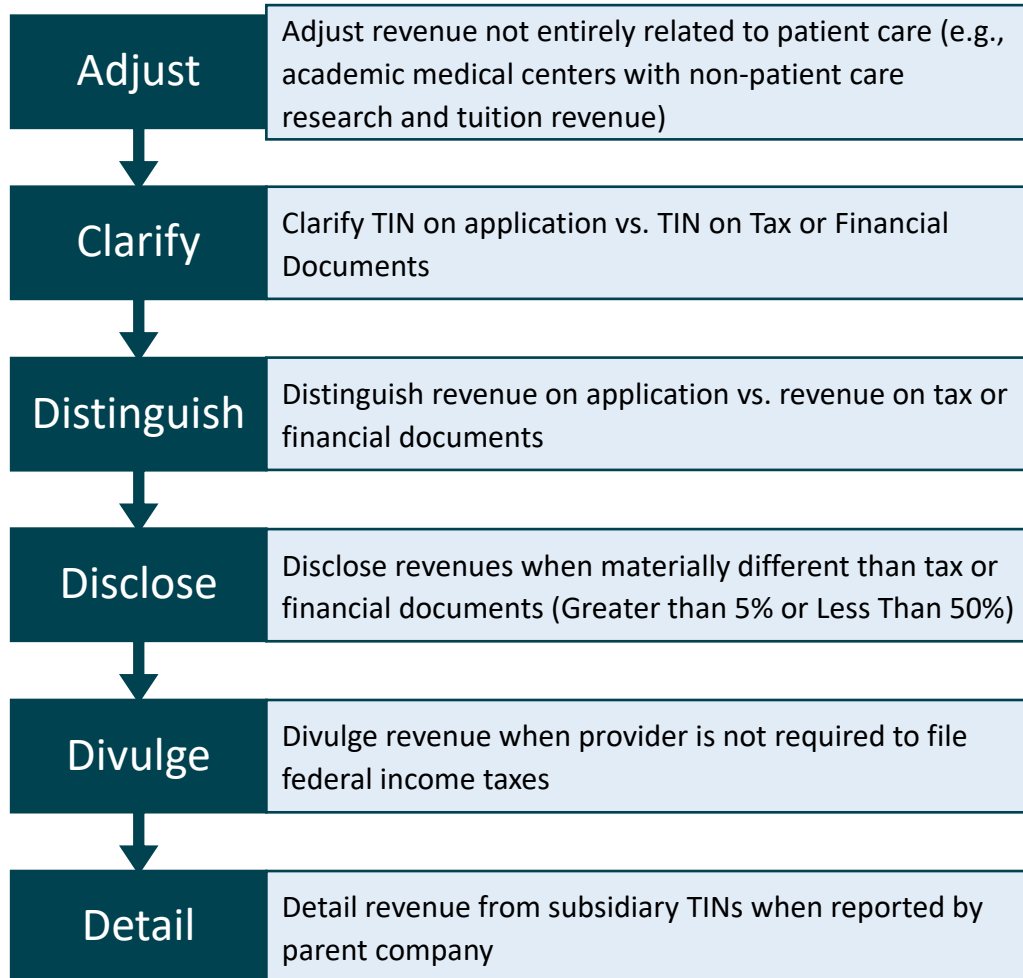
Step	Value	Note
Capped Operating Income Change (Absolute Value of Losses)	\$33,616,000	Estimated based on 88% Cap used in Phase 3 methodology
Less YTD PRF Amount	(\$8,000,000)	
<b>Estimated Qualifying Amount</b>	<b>\$25,616,000</b>	<b>Est. Amount using Phase 3 Approach (Not adjusted for small, medium, large providers and any supplemental payments)</b>

HRSA may flag and conduct manual review of flagged potential payments





# PRF Phase 4 and Rural ARP Complex Organizational Structure



**May providers adjust patient care revenue to produce an “apples to apples” comparison of 2020 and 2021 against 2019?**

[Annual Revenues Worksheet]

(a) Subsidiary/ Billing TIN	(b) Subsidiary/Billing TIN Name	(c) Net patient care revenues	(d) Non- patient care revenues	(e) Total revenues	(f) Total revenues that are not part of the application, if applicable
		\$ -	\$ -	\$ -	
123456789	Sample City Hospital, LLC	\$ 50,000,000	\$ 50,000,000	\$ 100,000,000	

[Adjusted Revenues Worksheet]

(a) Subsidiary/ Billing TIN	(b) Acquisition (A) or Disposition (D)	(c) Name	(d) Total gross revenues	(e) Net patient care revenues
123456789	A	Sample City Hospital, LLC	\$ 50,000,000	\$ 50,000,000



# New PRF Allocations ARP Rural

toyonassociates.com

<b>American Rescue Plan Act</b> <b>\$8.5 billion</b> <b>Based on patient address as opposed to provider status</b>				
Providers serving Medicaid patients in rural areas <u><a href="#">Rural Health Grants Eligibility Analyzer</a></u>	<b>Claims based</b> Medicaid and CHIP claims paid at the Medicare rate Claims between 1/1/2019 and 9/30/2020 for all eligible providers*	<b>Cannot be transferred</b> Control and use of payment must be by entity eligible that receives payment	<b>Qualifying rural providers may also receive Phase 4 payments</b>	<b>HRSA aims to release ARP rural funds in the latter part of November 2021</b>

## RURAL PROVIDERS

(21) Select "Yes" if your organization would like to be considered for an additional ARP rural payment.

Yes     No

**NJ does have hospitals treating rural patients (Rural Referral Centers). Interesting dynamic vs. CMS definition limited by state lines.**

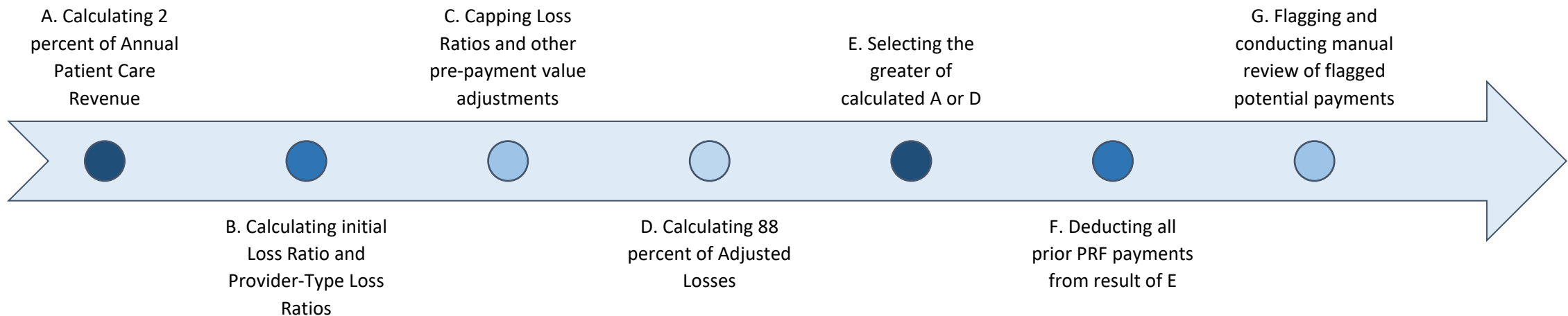
\*FAQ: How will ARP Rural Payments be calculated for providers that began operations part way through 2019 or 2020 that do not have complete financial information?  
 (Added 9/29/2021)



## PRF Phase 3 Redetermination

- Providers who believe their PRF Phase 3 payment eligibility was erroneously determined may complete [PRF Reconsideration Request](#) by the **submission deadline – 11:59:59 pm EST on November 12, 2021.**
- HHS provided a [detailed methodology](#) for providers to evaluate and further assess whether initial Phase 3 payments were correctly determined.
- **Providers will not be able to submit additional documentation with your completed request form.** HRSA will only review your original submitted application and will request any clarifying information, as needed.
- HHS advises providers to email [Reconsiderations@hrsa.gov](mailto:Reconsiderations@hrsa.gov) if it is believed Phase 3 payment was calculated incorrectly, or to be notified when more information becomes available on the Phase 3 reconsiderations process.

### HHS's detailed Phase 3 methodology includes seven steps



<https://www.hrsa.gov/provider-relief/payment-reconsideration/faq>

<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/phase-3-methodology-overview.pdf>



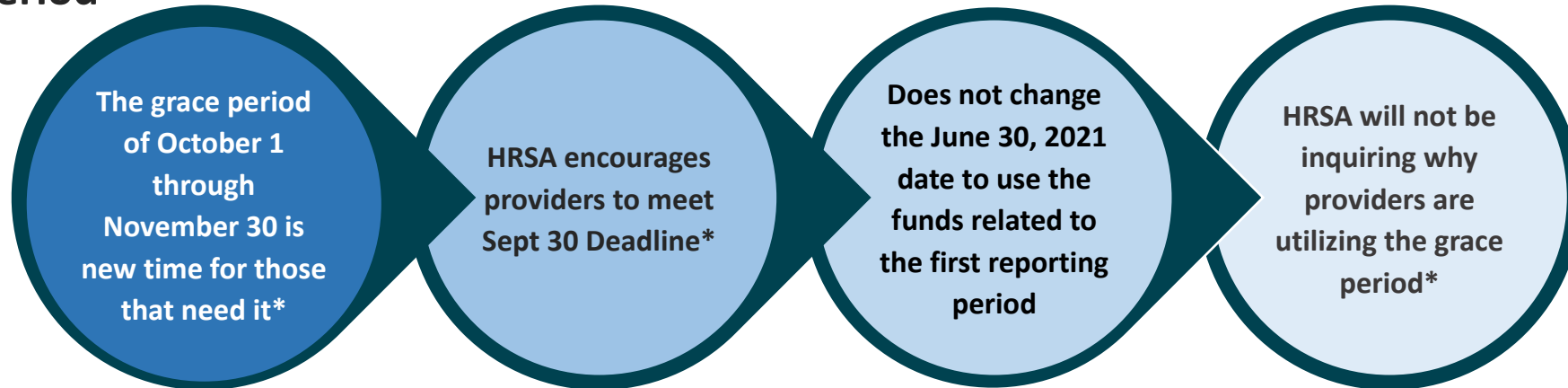
# Reporting Period 1 Grace Period and Recent FAQs





## PRF Reporting Period 1 Grace Period

toyonassociates.com



\*Per HRSA Sept. 15 Stakeholder Briefing

<https://www.youtube.com/watch?v=RAILfxWRDwU&list=PLrI7E8KABz1HxzROzzgpA49tfrb1lyFR8>

“The September 30, 2021 Reporting Period 1 deadline has not changed, however in response to challenges providers are facing given the Covid surges and natural disasters around the country a 60-day Grace Period is in place. This period allows providers to come into compliance with their PRF reporting requirements should they fail to meet the September 30, 2021 deadline.

Important Details:

- **While you will be out of compliance if you do not submit your report by September 30, 2021, recoupment or other enforcement actions will not be initiated during the 60-day grace period (October 1 – November 30, 2021)...**
- ...Providers should return unused funds as soon as possible after submitting their report. All unused funds must be returned no later than 30 days after the end of the grace period (December 30, 2021).”



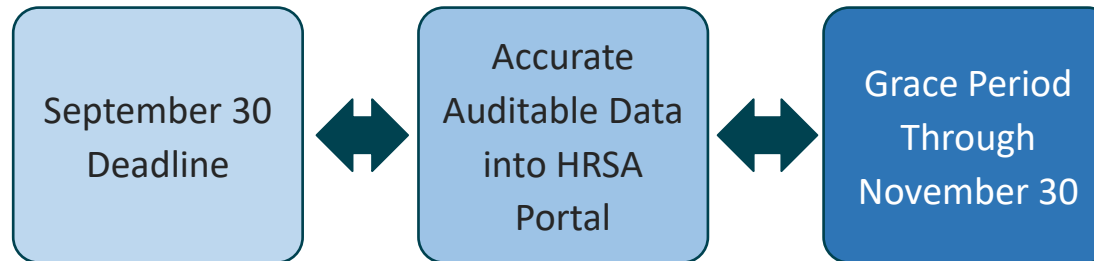
# PRF Reporting Period 1 Grace Period (cont.)

Quite a departure from the earlier FAQ guidance on marginal costs with the "\$85" example

Grace Period to validate PRF Reporting, especially with changing FAQs



- **Reporting Expenses** (*Modified 9/13/2021*)
  - "...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..."\*
- **Subsidiaries reporting on behalf of parent entity, i.e., Targeted Payments** (*Added 9/13/2021*)
  - "...Option iii, from the Post-Payment Notice of Reporting Requirements, provides Reporting Entities flexibility in the reconciliation of lost revenues. Lost revenues may then be applied as the reporting entity sees fit. Reporting Entities should work with their accounting firms to determine an appropriate way to allocate expenses and lost revenues..."\*\*
- Addition information under guidance document at
  - <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-parent-subsiadiary-reporting-fact-sheet.pdf>



\*How do I determine if expenses should be considered "expenses attributable to coronavirus not reimbursed by other sources?" (Modified 9/13/2021)

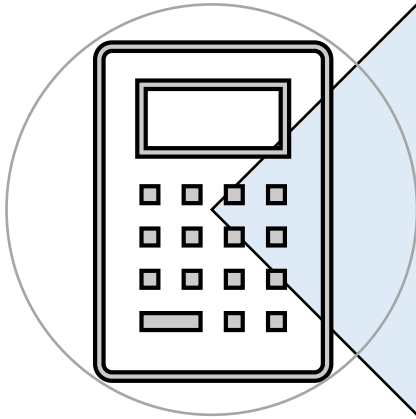
\*\*How should providers that require separate reporting on behalf of parent entities and/or subsidiaries calculate lost revenue across these entities? (Added 9/13/2021)



## PRF Reporting Period 1 Grace Period (cont.)

toyonassociates.com

### Capital Healthcare Expenses\*



#### Accrual Accounting Examples

- Services that were received
- Renovation or construction that was completed
- Tangible property ordered, but need not have been delivered



Providers must follow their basis of accounting (e.g., cash, accrual, or modified accrual) to determine expenses.

For projects that are a bundle of services and purchases of tangible items that cannot be separated, **such as capital projects, construction projects, or alteration and renovation projects, the project costs cannot be reimbursed using Provider Relief Fund payments unless the project was fully completed by the end of Period of Availability** associated with the Payment Received Period.

Recent FAQ  
clarification  
on capital  
expenses

\*FAQ: Is there a set period of time in which providers must use the payments to cover allowable expenses or lost revenues attributable to COVID-19? (Modified 8/30/2021)




# PRF Reporting Period 1 Grace Period (cont.)

toyonassociates.com

## Continued Release of Resources and Guidance

<https://www.hrsa.gov/provider-relief/reporting-auditing>



 What data categories are required for reporting?

### Step 3: Complete and Submit Your Report

Complete and submit your report via the [Provider Relief Fund Reporting Portal](#).

#### Reporting Resources


Read the Guides:

- [Lost Revenues Guide](#) (PDF - 294 KB)
- [Reporting Resource Guide](#) (PDF - 60 KB)
- [PRF Portal Reporting User Guide](#) (PDF - 4.8 MB)
- [Reporting Worksheets](#) (XLS - 42 KB)

Other Resources

- [Examples of allowable expenses for Provider Relief Funds](#) (PDF - 122 KB)
- [Personnel Recruitment and Retention Fact Sheet](#) (PDF - 129 KB)
- [PRF Parent Subsidiary Reporting Fact Sheet](#) (PDF - 130 KB)
- [Independent Audit Requirement Fact Sheet](#) (PDF - 73 KB)
- [Patient Metrics Fact Sheet](#) (PDF - 40 KB)

HRSA hosted a webinar on July 8, 2021 to introduce recipients to the PRF Reporting Portal.

- [Watch the PRF Reporting Tutorial](#) 
- [Reporting Introduction](#)  (July 8)
- [Download the slides](#) (PDF - 1,516 KB)

Webinars were also held on July 14, 2021 and July 20, 2021.

- [Webinar recording \(July 14\)](#) 
- [Webinar recording \(July 20\)](#) 
- [Period of Availability and Lost Revenues slides \(July 20\)](#) (PDF - 601 KB)





# COVID-19 Patient Care Expenses





# PRF Period of Availability

*Period of availability always begins 1/1/2020 for each reporting period*

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

\*

**“...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. Providers must follow their basis of accounting to determine expenses. Duplication of expenses and lost revenues is not permitted...”\*\***

**“...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...”\*\*\***



\*Grace Period through November 30, 2021

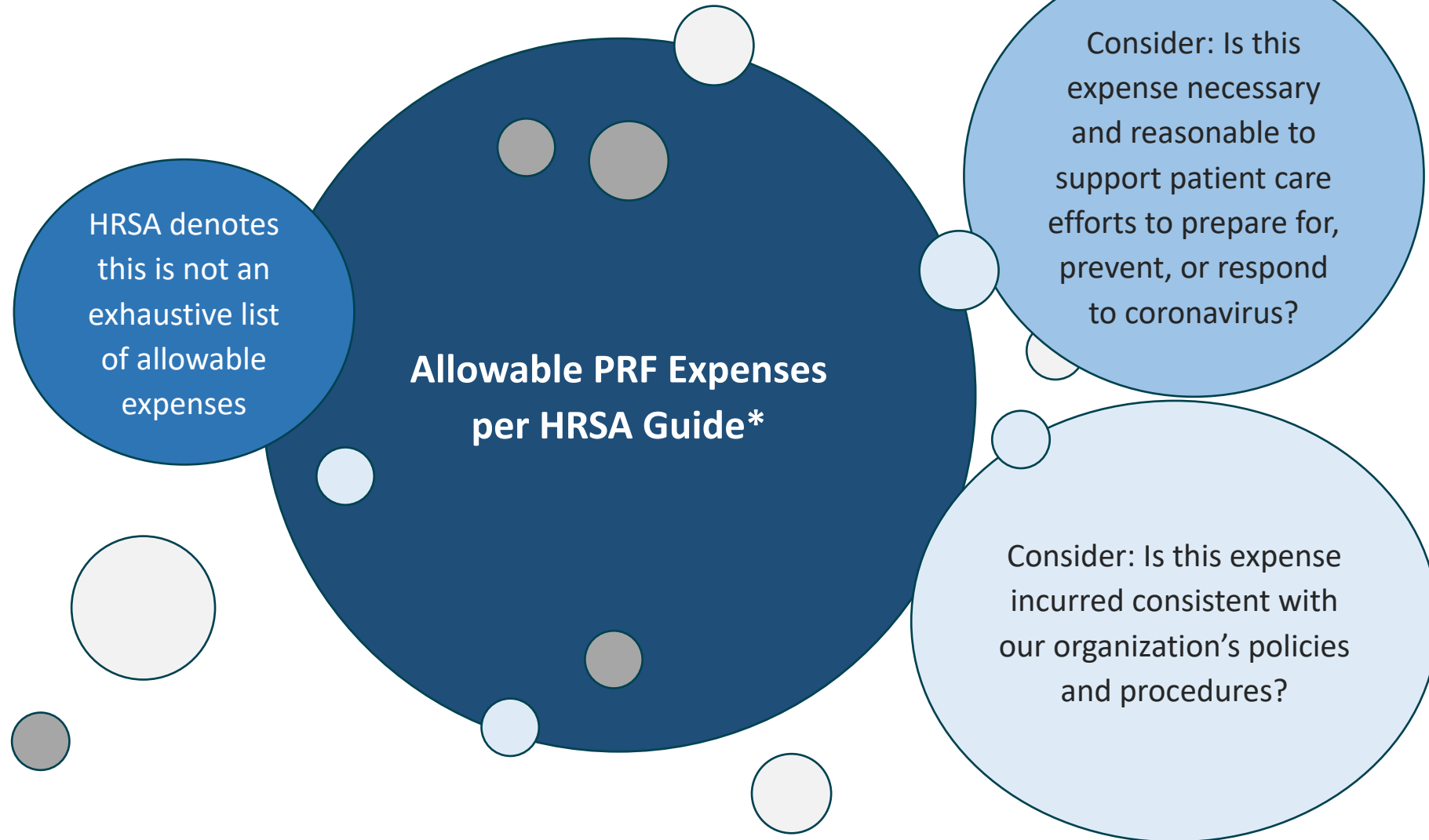
\*\*FAQ: In order to accept a payment, must the provider have already incurred eligible expenses and losses higher than the Provider Relief Fund payment received? (Modified 6/11/2021)

\*\*\*FAQ: 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? (Added 7/1/2021)



## PRF Allowable Expense Overview

toyonassociates.com



[\\*https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/allowable-expenses-one-pager.pdf](https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/allowable-expenses-one-pager.pdf)



# Personnel G&A Expenses

## June 11 Instructions

Workforce-related expenses as outlined in the Terms and Conditions such as

- personnel 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
- workforce training and mentorship programs to improve infection control
- other personnel costs incurred for infection control.
- **staffing, including temporary employee or contractor payroll and overhead employees, is included**

## HRSA Guide on Recruiting and Retaining Personnel\*

### Retention

- Incentive Pay | Retention Bonuses
- Childcare assistance
- Overtime pay
- Temporary housing
- Mental health and stress management resources
- Other fringe benefits

### Recruitment

- Salaries for new or temp staff
- Employee referrals
- Employment agencies
- Hiring bonuses
- Other recruitment tools

### Recruit and Retain Positions like...

- Physicians, Advanced Practice Clinicians, Nurses, etc.
- Lab techs
- Respiratory Therapists
- Administrators
- Contracted staff
- And Many Others

## HRSA Guide on Allowable Expenses\*\*

**Personnel:** Direct employee expenses for staff such as nurses, administrators, or support personnel

**Fringe Benefits:** Health insurance, childcare assistance, overtime pay, hiring bonuses, or retention payments to expand or maintain patient care capacity

---

PRF payments can be used for a wide variety of direct and indirect costs of recruiting and retaining personnel during the pandemic....\*

\*HRSA Recruitment & Retainment Guide: <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-fact-sheet-recruit-retain-personnel.pdf>.

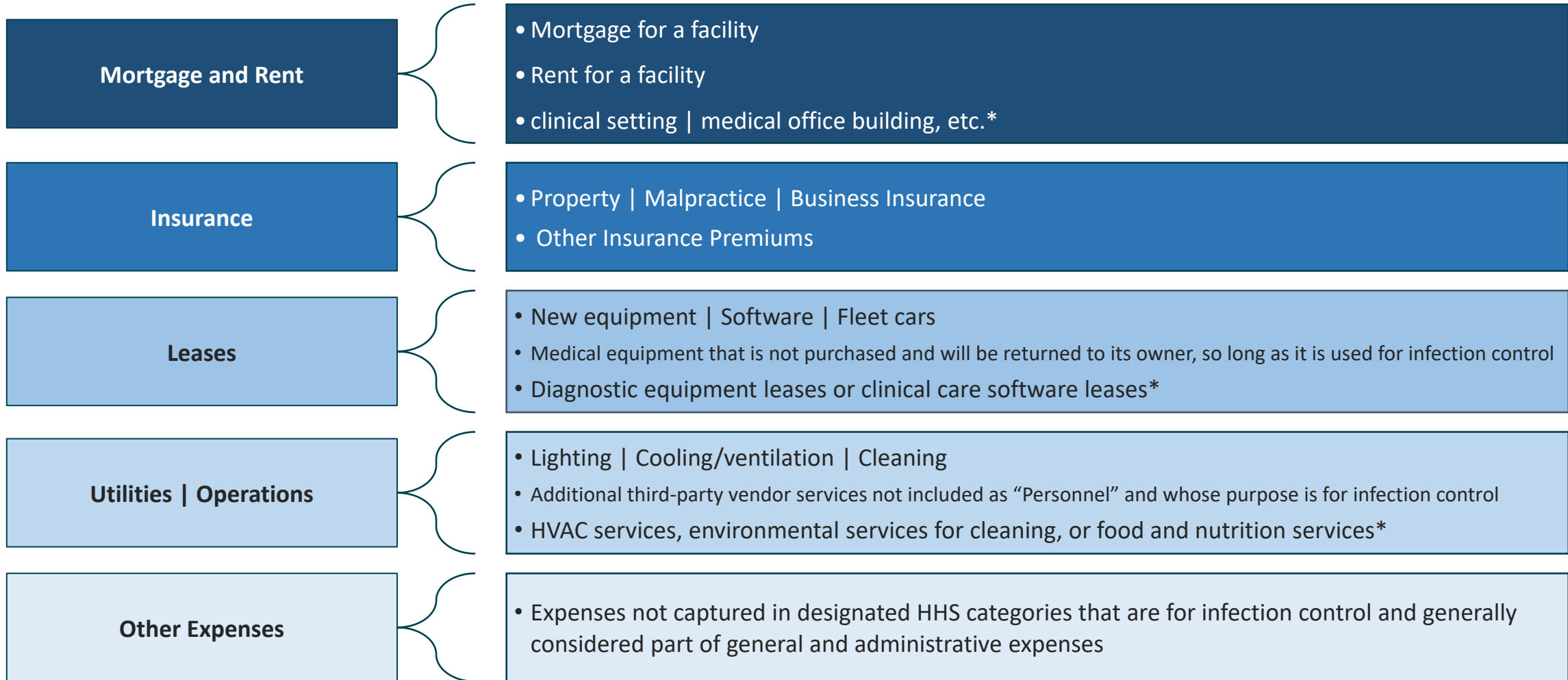
\*\*HRSA Allowable Expense Guide: <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/allowable-expenses-one-pager.pdf>

Salaries must not be paid at a rate in excess of Executive Level II; \$197,300 for 2020 and 199,300 for 2021



# Non-Personnel G&A Expenses

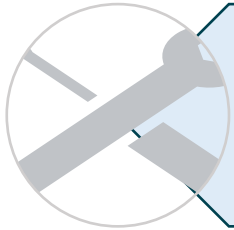
## Towards Purpose of "Infection Control"





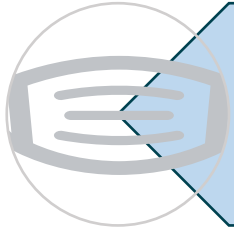
## Healthcare Expenses\*

toyonassociates.com



### Equipment

- HVAC systems | sanitizing equipment | ventilators, HVAC systems or improved filtration for infection control, or lab and radiology diagnostic equipment



### Supplies

- PPE | hand sanitizer | patient or staff COVID-19 testing | distribution of a COVID-19 licensed vaccine | single use or reusable patient care devices | cleaning supplies | office supplies | N95 or surgical masks, gowns, temperature monitoring devices, or cleaning agents



### Facilities

- Lease or purchase of permanent or temporary structures | Retrofit facilities to accommodate revised patient treatment practices | Temporary Emergency Department expansions for patient volume increases, inpatient unit retrofits to accommodate COVID-19 or other patients, or outpatient clinic enhancements for improved infection control



### IT and Interoperability Systems

- Telehealth infrastructure | increased bandwidth | technology that permits residents to connect with their families | teleworking to support remote workforce | telehealth software and hardware | improved internet services to support increased telehealth or remote working, or new Electronic Medical Record modules to support patient care\*

\* Also includes “other” healthcare expenses related to COVID-19



# OMB Compliance Supplement

## 2 CFR Part 200 Appendix XI

toyonassociates.com

Department of  
Health and Human  
Services  
Provider Relief Fund  
Assistance Listing  
93.498

- Auditors should consider delaying the commencement of the compliance audit of the PRF program until recipients have completed the PRF report.
- **OMB notes the auditor is not responsible for determining the reasonableness of the alternative method described in the provider's narrative.**

- Audit objective to determine whether a provider billed out-of-network patients with a presumptive or actual case of COVID-19, for out-of-pocket expenses in an amount greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

- Do not report HRSA charges on Worksheet S-10 (a focus of Medicare's Uncompensated Care DSH audits).

A review of the recipient's billing and collection policies and procedures applicable to patient out-of-pocket expenses for patients with a presumptive or actual case of COVID-19.

A test sample of out-of-network patients with a presumptive or actual case of COVID-19 to determine whether the patient was assessed an out-of-pocket charges

HRSA Independent Audit Requirement Fact Sheet

<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/independent-audit-requirement-fact-sheet.pdf>



# OMB Compliance Supplement

## 2 CFR Part 200 Appendix XI (cont.)

toyonassociates.com

### Schedule of Expenditures for Federal Rewards (SEFA)

Period	Payment Received Period	Deadline to Use Funds	PRF Portal Reporting Time Period	FYEs of SEFA Reporting
1	4/10/20 to 6/30/20	6/30/21	7/1/21 to 9/30/21	6/30/21 through 6/29/22
2	7/1/20 to 12/31/20	12/31/21	1/1/22 to 3/31/22	12/31/21 through 6/29/22
3	1/1/21 to 6/30/21	6/30/22	7/1/22 to 9/30/22	Guidance will in included in 2022 Compliance Supplement
4	7/1/21 to 12/31/21	12/31/22	1/1/23 to 3/31/23	

- For a FYE of June 30, 2021, and through FYEs of December 30, 2021, recipients should report in the SEFA, the expenditures and lost revenues from the Period 1 PRF report.
- For a FYE of December 31, 2021 and through FYEs of June 29, 2022, recipients should report in the SEFA, the expenditures and lost revenues from both the Period 1 and Period 2 PRF reports.
- For FYEs on or before June 29, 2021, no PRF expenditures or lost revenues should be reported by recipients on the SEFA until the specified timeframe described in the reporting requirements summarized in the table above.





# OMB Compliance Supplement 2 CFR Part 200 Appendix XI (cont.)

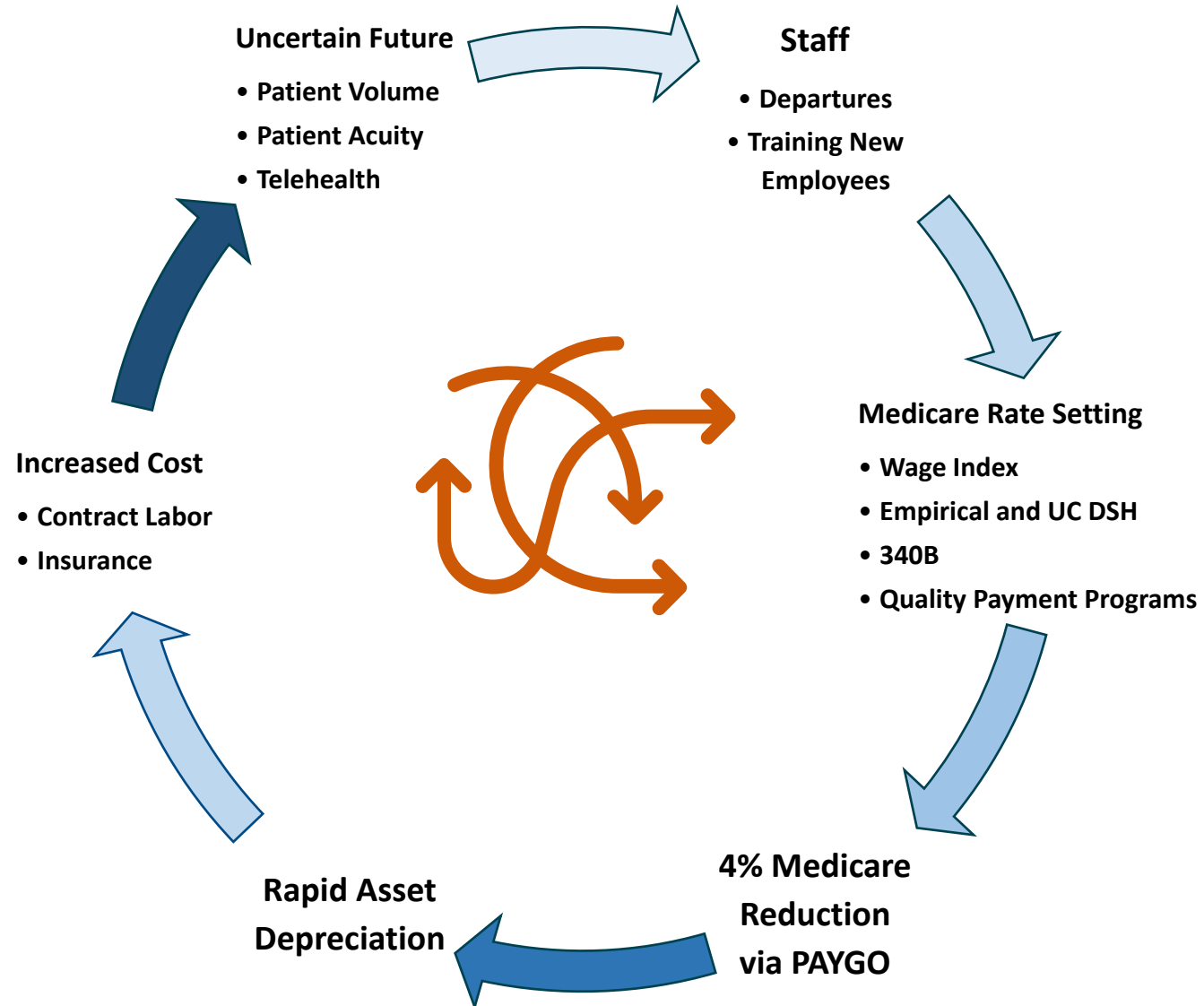
Allowable PRF COVID-19 Expenses			
OMB Compliance Supplement		HHS Reporting Instruction	
<input checked="" type="checkbox"/>	Building or construction of temp. structures	<input checked="" type="checkbox"/>	General & Administrative (G&A) Mortgage/Rent
<input checked="" type="checkbox"/>	Emergency operation centers	<input checked="" type="checkbox"/>	G&A Insurance
<input checked="" type="checkbox"/>	Retrofitting facilities	<input checked="" type="checkbox"/>	G&A Personnel
<input checked="" type="checkbox"/>	Leasing of properties	<input checked="" type="checkbox"/>	G&A Fringe Benefits
<input checked="" type="checkbox"/>	Medical supplies and equipment <sup>5</sup>	<input checked="" type="checkbox"/>	G&A Lease Payments
<input checked="" type="checkbox"/>	Increased workforce and trainings	<input checked="" type="checkbox"/>	Other G&A
<input checked="" type="checkbox"/>	Surge capacity	<input checked="" type="checkbox"/>	Healthcare Supplies
		<input checked="" type="checkbox"/>	Healthcare Equipment
		<input checked="" type="checkbox"/>	Healthcare IT
		<input checked="" type="checkbox"/>	Healthcare Facilities
		<input checked="" type="checkbox"/>	Other Healthcare

[https://www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement\\_Final\\_V2.pdf](https://www.whitehouse.gov/wp-content/uploads/2021/08/OMB-2021-Compliance-Supplement_Final_V2.pdf)

OMB will releasing additional audit requirements



# COVID-19 Stranded Costs



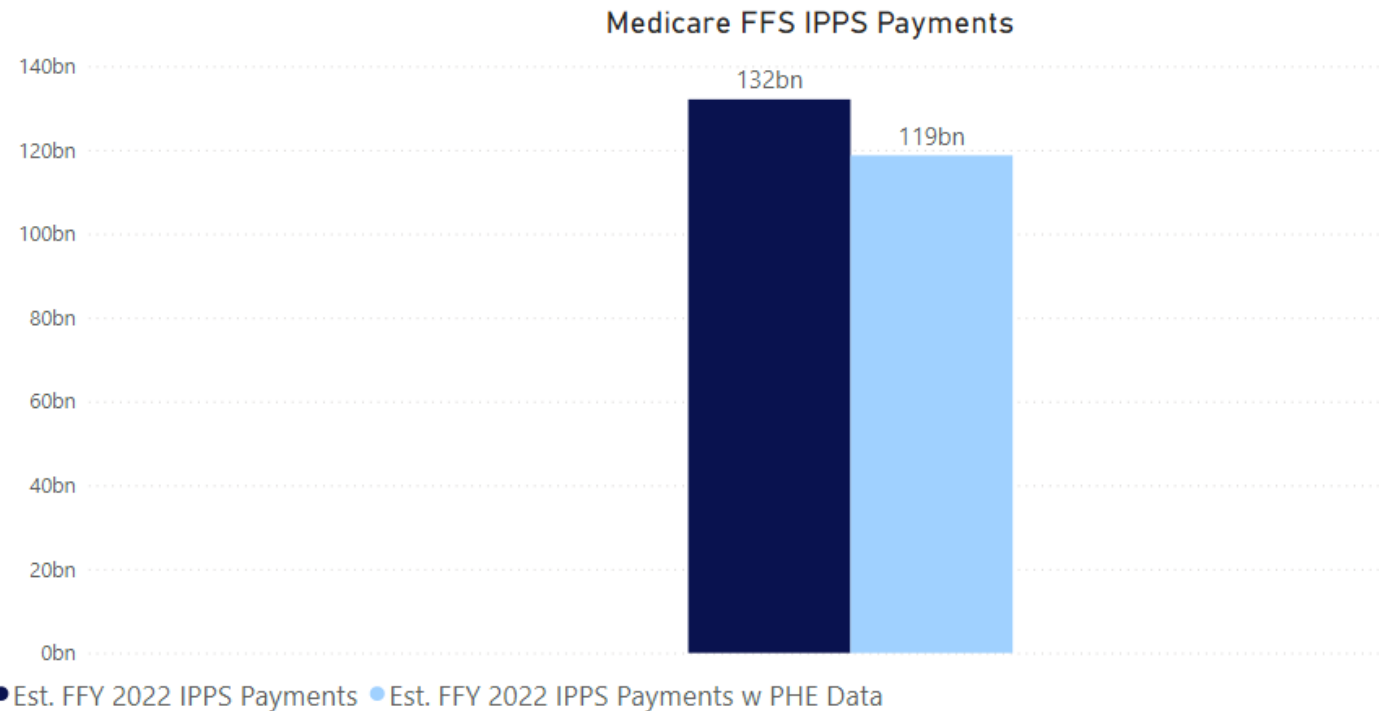


# National Hospitals Projecting Future Revenue

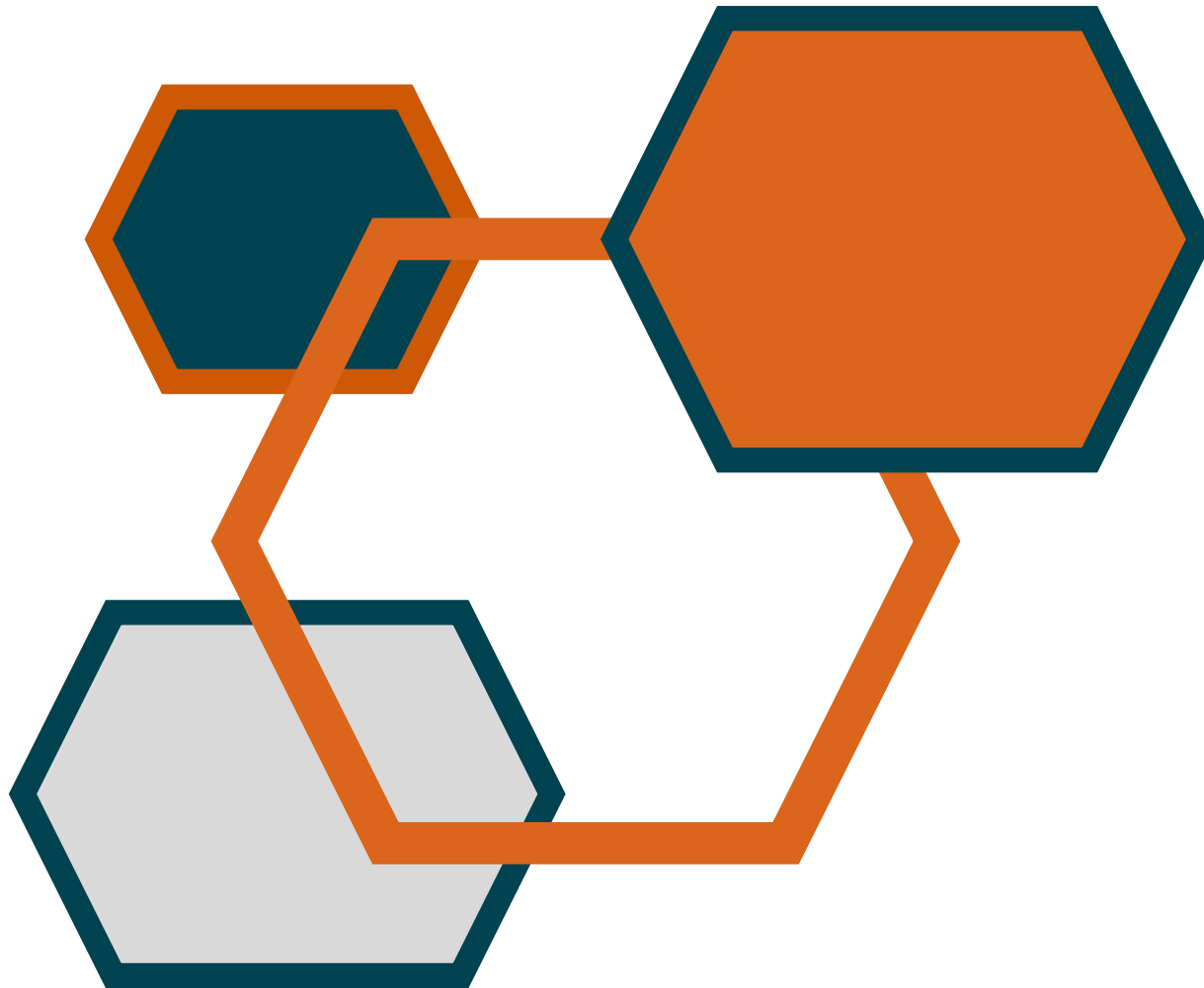
toyonassociates.com

## Impact of COVID-19 is **-\$13 Billion (-10%)** to Medicare IPPS Payments\*

FFY 22 MCR Discharges No PHE	FFY 22 MCR Discharges w PHE	Average of FFY 22 CMI No PHE	Average of FFY 22 CMI w PHE
8927011	7662031	1.65	1.70



\*Medicare DRG Impact file for FFY 2022 IPPS Proposed and Final Rules



# Lost Revenues





# Patient Care Lost Revenues

Reporting Complexity | Increased Likelihood of Audit?

## Quarterly Actual Reporting (Option i)

- Base Period 2019 (CY Quarters)
- Each quarter during period of availability
  - Supports carry forward of residual lost revenue amounts across reporting periods until the end of the period of availability
- Net Patient Care Revenue (NSRS) Before Expenses

## Quarterly Actual to Budget (Option ii)

- Quarterly Actual vs. Budget comparison during the period of availability
- Supports carry forward of residual lost revenue amounts across reporting periods until the end of the period of availability
- Budget base year reflects 2020 budgets approved by 3/27/20
- NPSR Before Expenses

## Any Other (Option iii)

- Any Reasonable Method of Estimating Revenue
- Description and explanation why methodology is reasonable
- Define how lost revenues were attributable to coronavirus, as opposed to by any other source

## Potential "Other" Scenarios:

- 1) New service in 2020 | 2021, not included in 2019 baseline (provided in HRSA lost revenue guide\*)
- 2) Hybrid reporting of budgeted and actual revenue (many non-Dec. 31 providers have budgets approved by 3/27/20 for part of their fiscal year, but not the entire fiscal year).
- 3) Closure of neighbor Hospital, resulting in both increase in revenue and expenses

[\\*https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-lost-revenues-guide.pdf](https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-lost-revenues-guide.pdf)



### Potential Examples for Reporting Lost Revenue under Other Option iii



**Hybrid (i.e., 2020 Budget to 2020 Actual; then 2021 Actual to 2019 Actual)\***



**Reclassification of Lost Revenue from Subsidiary to Parent Company (Targeted Payments)\*\***



**Adjustment for Non base year (2019) fluctuations in revenue.** However, it appears providers can exclude payments received or payments made to third parties relating to care not provided in 2019 or 2020 under Options i and ii\*\*\*.

\*A provider's budget for the next reporting period may not have been approved by 3/27/20.

\*\*Option iii, from the Post-Payment Notice of Reporting Requirements, provides Reporting Entities flexibility in the reconciliation of lost revenues. Lost revenues may then be applied as the reporting entity sees fit. Reporting Entities should work with their accounting firms to determine an appropriate way to allocate expenses and lost revenues..."

\*\*\*FAQ: Providers may have significant fluctuations in year-over-year net patient revenues due to settlements or payments made to third parties relating to care delivered outside the reporting period (2019-2020). Should Provider Relief Fund recipients exclude from the reporting of net patient revenue payments received for care not provided in 2019 or 2020? (Added 11/18/2020)



# Revenue Loss and Other Revenue

\*Offset any amounts received through other sources, such as

- Direct patient billing
- Commercial insurance
- Medicare/Medicaid/CHIP
- Federal Emergency Management Agency (FEMA)
- HRSA Uninsured Program
- COVID-19 Coverage Assistance Fund (CAF)
- Paycheck Protection Program (PPP)

Key	Description	Amount
A	CY 2020 Q1 Revenue Loss	(1,000,000)
B	CY 2020 Q2 Revenue Loss	(9,500,000)
C	CY 2020 Q3 Revenue Loss	0
E	CY 2020 Q4 Revenue Loss	0
F	CY 2021 Q1 Revenue Loss	0
G	CY 2021 Q2 Revenue Loss	0
<b>H = A:G</b>	<b>Revenue Loss</b>	<b>(10,500,000)</b>



Revenue loss includes patient payments related to COVID-19 (e.g., Medicare 20% DRG add-on)

This “other revenue” is accounted for, and therefore if reported against expenses would be duplicated



“Other revenue” is a part of the calculation of \$0 gains  
Does HHS still expect providers to offset COVID-19 expenses by this other revenue?

\*FAQ: How do I determine if expenses should be considered “expenses attributable to coronavirus not reimbursed by other sources?” (Modified 9/13/2021)



# Other Assistance Received

## Data for HRSA Portal

	Q1 (2020)	Q2 (2020)	Q3 (2020)	Q4 (2020)	Q1 (2021)	Q2 (2021)
<b>RHC COVID-19 Testing Funds Received</b>						
<b>Treasury, Small Business Administration (SBA) (e.g., CARES Act/Paycheck Protection Program)</b> <b>Description:</b> Total amount of other assistance received from Treasury, Small Business Administration (SBA) (e.g., CARES Act/Paycheck Protection Program) by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						
<b>FEMA Programs (CARES Act, Public Assistance, etc.)</b> <b>Description:</b> Total amount of other assistance received from FEMA Programs (CARES Act, Public Assistance, etc.) by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						
<b>HHS CARES Act Testing</b> <b>Description:</b> Total amount of other assistance received from HHS CARES Act Testing by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						
<b>Local, State, and Tribal Government Assistance</b> <b>Description:</b> Total amount of other assistance received from Local, State, and Tribal Government Assistance by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						
<b>Business Insurance</b> <b>Description:</b> Total amount of other assistance received from Business Insurance by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						
<b>Other Assistance</b> <b>Description:</b> Total amount of other assistance received from other sources by the reporting entity or by its subsidiaries included in the reporting during the period of availability.						

- “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 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...”\*

\*FAQ: How will HRSA use “Other Assistance Received” when calculating expenses or lost revenues? (Added 7/1/2021)





# PRF Metrics

Time Consuming?

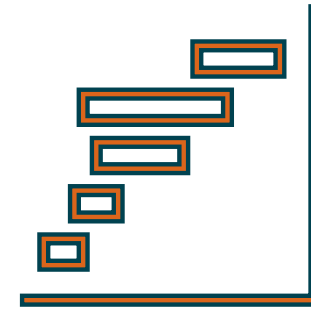
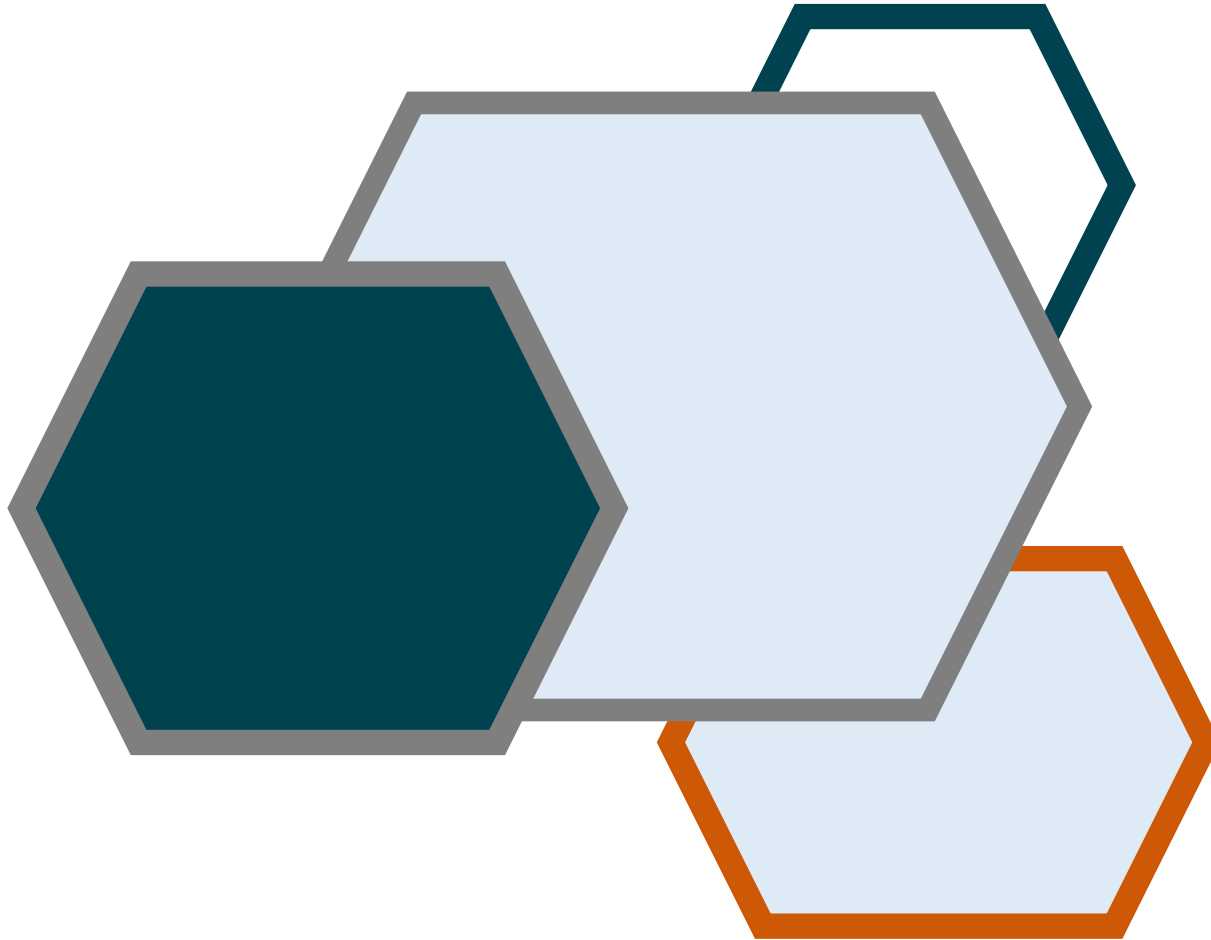
Personnel Metrics	Q1 (2019)	Q2 (2019)	Q3 (2019)	Q4 (2019)	Q1 (2020)	Q2 (2020)	Q3 (2020)	Q4 (2020)	Q1 (2021)	Q1 (2021)
<b>Full Time</b>										
Clinical										
Non-clinical										
<b>Part Time</b>										
Clinical										
Non-clinical										
<b>Contractor</b>										
Clinical										
Non-clinical										
<b>Furloughed</b>										
Clinical										
Non-clinical										
<b>Separated</b>										
Clinical										
Non-clinical										
<b>Hired</b>										
Clinical										
Non-clinical										

Patient Metrics	Q1 (2019)	Q2 (2019)	Q3 (2019)	Q4 (2019)	Q1 (2020)	Q2 (2020)	Q3 (2020)	Q4 (2020)	Q1 (2021)	Q1 (2021)
Inpatient Admissions										
Outpatient Visits (In-person and Virtual)										
Emergency Department Visits										
Number of Facility(for Long and Short-term Residential Facilities)										

Facility Metrics *Only if the Provider or its subsidiaries operate or support staffed beds*	Q1 (2019)	Q2 (2019)	Q3 (2019)	Q4 (2019)	Q1 (2020)	Q2 (2020)	Q3 (2020)	Q4 (2020)	Q1 (2021)	Q1 (2021)
Medical/Surgical Beds										
Critical Care Beds										
Other Beds										

HRSA Provider Relief Fund Reporting Patient Metrics Fact Sheet

<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/patient-metrics-fact-sheet.pdf>



## Hypothetical Scenarios of Provider PRF Reporting



## Scenario 1: All Expenses Through 6/30/21 With Lost Revenues

Key	Description	Amount	Remaining Balance
-----	-------------	--------	-------------------

### Step 1 PRF Net of Expenses:

A	Total PRF	10,000,000	
B	CY 2020 Q1 Expenses	(500,000)	0
C	CY 2020 Q2 Expenses	(1,000,000)	0
D	CY 2020 Q3 Expenses	(1,000,000)	0
E	CY 2020 Q4 Expenses	(1,000,000)	0
F	CY 2021 Q1 Expenses	(1,000,000)	0
G	CY 2021 Q2 Expenses	(1,000,000)	0
<b>H = A:G</b>	<b>Total Expenses</b>	<b>(5,500,000)</b>	<b>0</b>

Provider reports all expenses through 6/30/21

<b>I = A+H</b>	<b>PRF net of Expenses</b>	<b>4,500,000</b>	
----------------	----------------------------	------------------	--

### Step 2 Revenue Loss:

J	CY 2020 Q1 Revenue Loss	(1,000,000)	0
K	CY 2020 Q2 Revenue Loss	(9,000,000)	(5,500,000)
L	CY 2020 Q3 Revenue Loss	0	0
M	CY 2020 Q4 Revenue Loss	(2,000,000)	(2,000,000)
N	CY 2021 Q1 Revenue Loss	(2,000,000)	(2,000,000)
O	CY 2021 Q2 Revenue Loss	(1,000,000)	(1,000,000)
<b>P = J:O</b>	<b>Revenue Loss For Reporting Period</b>	<b>(15,000,000)</b>	<b>(10,500,000)</b>

- Lost revenue to cover PRF Period 1 is needed through part of CY 2020 Q2
- Remaining balance, plus lost revenue from other quarters carried forward into reporting period 2

Q = I	PRF Net of Expenses	4,500,000	
R = P	Revenue Loss	(15,000,000)	
<b>S = Q+R</b>	<b>Carry Forward to Reporting Period 2</b>	<b>(10,500,000)</b>	



## Scenario 2: All Expenses Through 6/30/21 with Carry Forward

toyonassociates.com

Key	Description	Amount	Remaining Balance
<b>Step 1 PRF Net of Expenses:</b>			
A	Total PRF	5,000,000	
B	CY 2020 Q1 Expenses	(1,500,000)	0
C	CY 2020 Q2 Expenses	(4,000,000)	(500,000)
D	CY 2020 Q3 Expenses	(1,000,000)	(1,000,000)
E	CY 2020 Q4 Expenses	(1,000,000)	(1,000,000)
F	CY 2021 Q1 Expenses	(1,000,000)	(1,000,000)
G	CY 2021 Q2 Expenses	(1,000,000)	(1,000,000)
<b>H = A:G</b>	<b>Total Expenses</b>	<b>(9,500,000)</b>	<b>(4,500,000)</b>
<b>I = A+H</b>	<b>PRF net of Expenses (Carry Forward to Period 2)</b>	<b>(4,500,000)</b>	
<b>Step 2 Revenue Loss:</b>			
J	CY 2020 Q1 Revenue Loss	(500,000)	(500,000)
K	CY 2020 Q2 Revenue Loss	(1,500,000)	(1,500,000)
L	CY 2020 Q3 Revenue Loss	(1,500,000)	(1,500,000)
M	CY 2020 Q4 Revenue Loss	(1,500,000)	(1,500,000)
N	CY 2021 Q1 Revenue Loss	(1,500,000)	(1,500,000)
O	CY 2021 Q2 Revenue Loss	(1,500,000)	(1,500,000)
<b>P = J:O</b>	<b>Revenue Loss For Reporting Period (Carry Forward of Lost Revenue to Period)</b>	<b>(8,000,000)</b>	<b>(8,000,000)</b>
<b>Q = I+P</b>	<b>Total Carry Forward into Period 2</b>	<b>(12,500,000)</b>	

- Provider needs \$5M in COVID-19 expenses to cover PRF in Period 1
- The remaining balance of \$4.5M is carried over into reporting period 2 and reported as “unreimbursed expenses” in the PRF Portal for Reporting Period 1
- The PRF portal will not allow provider to enter lost revenue in Period 1, as expenses cover PRF amount
- Provider is prepared to carry forward these lost revenue amounts to report against PRF in subsequent reporting periods



## Scenario 3: Expenses Held and Lost Revenue Applied Towards PRF

toyonassociates.com

Key	Description	Amount	Remaining Balance
<b>Step 1 PRF Net of Expenses:</b>			
A	Total PRF	10,000,000	
B	CY 2020 Q1 Expenses	(500,000)	0
C	CY 2020 Q2 Expenses	(1,000,000)	0
D	CY 2020 Q3 Expenses	0	0
E	CY 2020 Q4 Expenses	0	0
F	CY 2021 Q1 Expenses	0	0
G	CY 2021 Q2 Expenses	0	0
<b>H = A:G</b>	<b>Total Expenses</b>	<b>(1,500,000)</b>	<b>0</b>
<b>I = A+H</b>	<b>PRF net of Expenses</b>	<b>8,500,000</b>	
<b>Step 2 Revenue Loss:</b>			
J	CY 2020 Q1 Revenue Loss	(1,000,000)	0
K	CY 2020 Q2 Revenue Loss	(9,000,000)	(1,500,000)
L	CY 2020 Q3 Revenue Loss	0	0
M	CY 2020 Q4 Revenue Loss	(2,000,000)	(2,000,000)
N	CY 2021 Q1 Revenue Loss	(2,000,000)	(2,000,000)
O	CY 2021 Q2 Revenue Loss	(1,000,000)	(1,000,000)
<b>P = J:O</b>	<b>Revenue Loss For Reporting Period</b>	<b>(15,000,000)</b>	<b>(6,500,000)</b>
Q = I	PRF Net of Expenses	8,500,000	
R = P	Revenue Loss	(15,000,000)	
<b>S = Q+R</b>	<b>Carry Forward to Reporting Period 2</b>	<b>(6,500,000)</b>	

- Provider “holds” expenses (e.g., reviewing remaining invoices, submitting expenses for potential FEMA reimbursement\*)
  - Recall the period of availability for subsequent reporting periods always begins 1/1/2020, so seemingly hospitals should be able to report expenses related to CY 2020 Q3 through CY 21 Q2 in a latter reporting period
- Provider uses lost revenues to cover remaining Period 1 PRF, with carry forward amount for Reporting Period 2
  - However, HHS states, “HRSA **expects** that PRF payments would be applied to unreimbursed expenses attributable to coronavirus that are not obligated to be reimbursed by other sources before Provider Relief Fund payments are used for lost revenues”\*\*
  - HHS also states: “Reporting Entities will see the reporting system asks for unreimbursed expenses attributable to coronavirus first in the overall use of funds calculation; it is possible for a Reporting Entity to enter “0””\*\*\*

\*A similar scenario could show all periods reported, but with lower amounts, due to holding expenses each quarter.

\*\*FAQ: How will HRSA use the net unreimbursed expenses attributable to coronavirus in the calculation of expenses or lost revenues? (Added 7/1/2021)



## Scenario 4: Expenses Held and No Lost Revenue Applied Towards PRF

toyonassociates.com

Key	Description	Amount	Remaining Balance
<b>Step 1 PRF Net of Expenses:</b>			
A	Total PRF	5,000,000	
B	CY 2020 Q1 Expenses	(1,500,000)	0
C	CY 2020 Q2 Expenses	(4,000,000)	(500,000)
D	CY 2020 Q3 Expenses	0	0
E	CY 2020 Q4 Expenses	0	0
F	CY 2021 Q1 Expenses	0	0
G	CY 2021 Q2 Expenses	0	0
<b>H = A:G</b>	<b>Total Expenses</b>	<b>(5,500,000)</b>	<b>(500,000)</b>
<b>I = A+H</b>	<b>PRF net of Expenses (Carry Forward to Period 2)</b>	<b>(500,000)</b>	

### Carry Forward to Period 2

Key	Description	Amount	Remaining Balance
<b>Step 2 Revenue Loss:</b>			
J	CY 2020 Q1 Revenue Loss	(500,000)	(500,000)
K	CY 2020 Q2 Revenue Loss	(1,500,000)	(1,500,000)
L	CY 2020 Q3 Revenue Loss	(1,500,000)	(1,500,000)
M	CY 2020 Q4 Revenue Loss	(1,500,000)	(1,500,000)
N	CY 2021 Q1 Revenue Loss	(1,500,000)	(1,500,000)
O	CY 2021 Q2 Revenue Loss	(1,500,000)	(1,500,000)
<b>P = J:O</b>	<b>Revenue Loss For Reporting Period (Carry Forward of Lost Revenue to Period)</b>	<b>(8,000,000)</b>	<b>(8,000,000)</b>
<b>Q = I+P</b>	<b>Total Carry Forward into Period 2</b>	<b>(8,500,000)</b>	

- Provider needs \$5M in COVID-19 expenses to cover PRF in Period 1
- Provider reports expenses covering PRF from CY 2020 Q1 and Q2
- Provider holds remaining expenses for PRF Period 2.
- HHS FAQ states “it is possible for a Reporting Entity to enter “0” for unreimbursed expenses.
- The PRF portal will not allow provider to enter lost revenue in Period 1, as expenses cover PRF amount
- Provider is prepared to carry forward these lost revenue amounts to report against PRF in subsequent reporting periods



## Thank you

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

### **Fred Fisher**

Vice President, Service Development

[fred.fisher@toyonassociates.com](mailto:fred.fisher@toyonassociates.com)

888.514.9312

### **Scott Besler**

Senior Director

[scott.besler@toyonassociates.com](mailto:scott.besler@toyonassociates.com)

888.514.9312



**TOYON ASSOCIATES, INC.**