



TOYON ASSOCIATES, INC.

CARES Provider Relief Fund Update Recent Funding & Reporting Period 2

February 4, 2022

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Provider Relief Funding





PRF Reconciliation

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Key	Funding (in billions)	Col 1 Appropriated	Col 2 Allocated	Col 1 - Col 2 Variance
I. Appropriated and Allocated PRF				
A	General Phase 1	46.00	42.82	3.18
B	General Phase 2	18.00	5.09	12.91
C	General Phase 3	24.50	21.36	3.14
D	General Phase 4	17.00	10.70	6.30
E	Targeted High Impact	20.75	20.69	0.06
F	Targeted Safety Net	14.12	14.13	(0.01)
G	Targeted CARES Rural	11.09	10.99	0.10
H	Targeted ARP Rural	8.50	7.50	1.00
I	Targeted SNF	4.90	4.79	0.11
J	Targeted Nursing Home	2.75	2.75	0.00
K	Quality Incentive Pmts	1.90	1.90	0.00
L	Indian Health Service (IHS)	0.52	0.52	0.00
M=A:L	Total Funding Allocations	170.03	143.24	26.79

II. Total Available Funding vs. Allocated				
N	Total Available Funding	186.50		
O = N-M(col 2)	Available vs. Allocated	43.26		
P	HRSA Uninsured	(17.20)		
Q	Warp Speed Funding Spend	(10.00)	Another \$7B? STAT Article (Next Slide)	
R	Warp Speed Funding Return	10.00		
S	\$4 Billion Allocation from Phase 1	4.00		
T	Est. Phase 4 (Remaining Funds)	(6.30)		
U	Est. Phase 3 Reconsideration (Remaining Funds)	(3.14)		
V	Est. Rural ARP (Remaining Funds)	(1.00)		
W = O:V	Total Est. Remaining PRF*	19.62		



STAT Article: The Biden administration used billions in hospital Covid-19 funds to pay drugmakers

- ❑ \$7 billion taken from PRF for Covid-19 vaccines and therapeutics
- ❑ \$10 billion taken from PRF for Operation Warp Speed
- ❑ This \$17 billion used some PRF that was returned from providers

“Now, the hospital money, known as the Provider Relief Fund, has run dry, and has no new money left to allocate, according to the agency that administers it. Providers have only been able to submit requests for expenses incurred through March 2021 — before both the Delta and Omicron surges battered the health care system”

STAT Article:

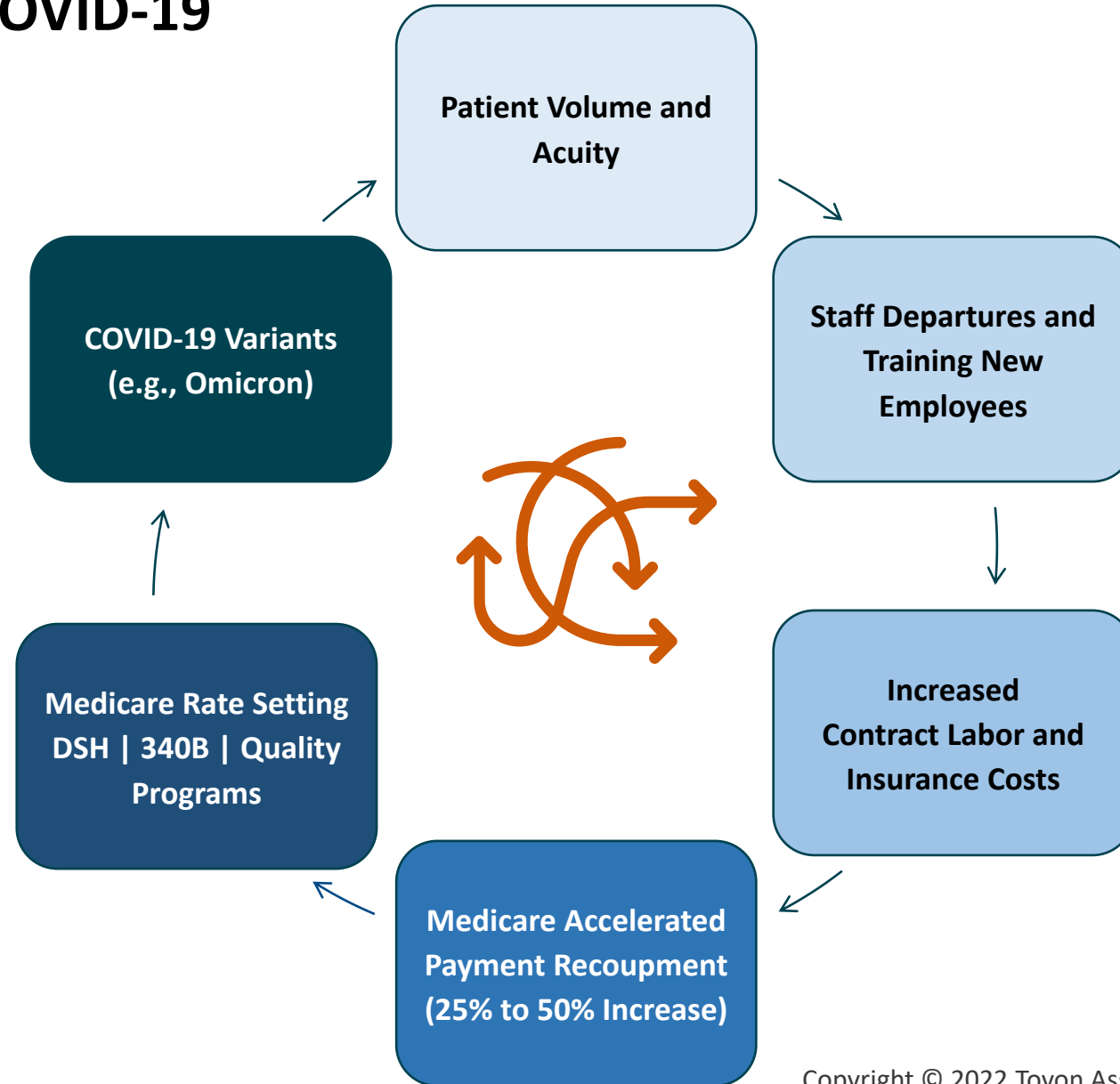
<https://www.statnews.com/2022/01/26/the-biden-administration-used-billions-in-hospital-covid-19-funds-to-pay-drugmakers/>



Continued Impact of COVID-19

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**On-Going
Challenges
Demonstrate
Need for
Additional
Hospital Relief**



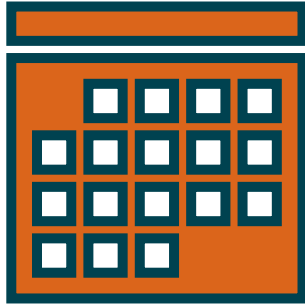


AHA Urges Congress to Include Key Priorities in Must-Pass Legislation January 20, 2022

Requests to Congress:

- Immediately distribute and account for the remaining funds in the PRF, including extending the deadline for spending funds and allowing the funds to be used for expenses associated with additional security measures and training to allow each of our nation's hospitals to overcome its unique challenges.
- Provide additional PRF dollars in the amount of \$25 billion to health care providers who continue to have lost revenues and increased expenses due to the tremendous financial strain that the delta and omicron variant are causing.
- Extend the Medicare sequester relief until the end of the COVID-19 public health emergency or Dec. 31, 2022, whichever is later
- Suspend repayments for six months and allow for recoupment after the repayment suspension at 25% of Medicare claims payments for the following 12 months.
- Ensure 340B hospitals participating in the program who may have experienced changes to their DSH adjustment percentage in fiscal year 2020 or fiscal year 2021 due to the COVID-19 pandemic retain their 340B eligibility.

Source: <https://www.aha.org/lettercomment/2022-01-20-aha-urges-congress-include-key-priorities-must-pass-legislation>



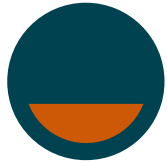
Recent PRF Allocations





Recent PRF Allocations

Rural ARP



\$1.0 billion remaining

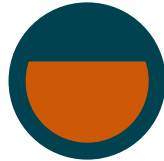
\$8.5 billion fund | \$7.5 billion spent

Not CARES PRF, but administered by HRSA

Qualifying providers receive repriced rural Medicaid and CHIP claims at 3% of the Adjusted Medicare value

Rural ARP redetermination deadline of May 2nd*

Phase 3



\$3.1 billion remaining

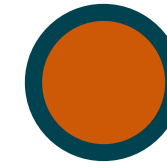
\$24.5 billion fund | \$21.4 billion spent

HRSA is only considering payment redeterminations | Previous deadline of November 12, 2021, to submit a request for redetermination of payment

Redetermination may challenge errors in the Phase 3 calculation, but not the methodology**

Qualifying providers receive 88% of losses in CY 2020 Q1 through CY 2020 Q2 (compared to these PY periods), net of general and targeted PRF received

Phase 4 **(\$2B release 1.25.22)*****



\$6.3 billion remaining

\$17 billion fund | \$10.7 billion spent

Base payments for losses in CY 2020 Q3 through CY 2021 Q1 (compared to these PY periods), net of excess PRF from Phase 3 | Adjusted by provider size to fit \$14.75 billion fund

Bonus payments through repricing Medicaid and CHIP claims at a Medicare value, prorated to fit \$4.25 billion fund | Qualifying providers receive repriced claims at 0.3% of the Adjusted Medicare value

Phase 4 redetermination deadline of May 2nd*

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

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

***<https://www.hhs.gov/about/news/2022/01/25/hhs-distributing-2-billion-more-provider-relief-fund-payments-health-care-providers-impacted-covid-19-pandemic.html>



Rural ARP Targeted Allocation Terms & Conditions (T&C)

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Rural ARP T&C *Similar* to CARES PRF

- The Recipient certifies that the Payment will be used to prevent, prepare for, and respond to COVID-19, and that the Payment shall reimburse the Recipient only for health care-related expenses or lost revenues that are attributable to COVID-19.
- The Recipient shall adhere to the Reporting Requirements for payments received exceeding \$10,000 in the aggregate during the Payment Received Period. The Recipient must register in the Provider Relief Fund Reporting Portal and submit reports as specified by HHS.

Rural ARP T&C *Different* than CARES PRF

- The Recipient shall submit reports as HHS determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients.
- The Recipient certifies that it will retain the payment with the provider(s) associated with the applicable subsidiary or billing TIN and will not transfer or allocate the Payment to another entity not associated with the subsidiary or billing TIN. Control and use of the Payment must be delegated to the Recipient that was eligible for and received the Payment.

Rural ARP T&Cs: <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/terms-and-conditions-ARP-rural.pdf>



PRF Phase 3 and 4 Comparison

Phase 3

Periods CY 2020 Q1 through CY 2020 Q2
(compared to operating losses from same periods in 2019)

Provider Annual Net Patient Service Revenue	Payment Percentage of Provider Losses
All Providers	88%*
Bonus	N/A

*Offset by General and Targeted PRF (e.g., Phase 1, Phase 2, High Impact, Safety Net, CARES Rural) | Subject to Trim adjustments due to aberrant data

Phase 4

Periods CY 2020 Q3 through CY 2021 Q1
(compared to operating losses from same periods in 2019)

Provider Annual Net Patient Service Revenue	Payment Percentage of Provider Losses
Small: Less Than or Equal to \$10M**	45%***
Medium: Between \$10M and \$100M	25%***
Large: Greater than or equal to \$100M	20%***
Claim Bonus 1/1/19 – 9/30/20	0.3%****

**Per HHS Funding Press Release: “PRF Phase 4 will reimburse smaller providers—who tend to operate on thin margins and often serve vulnerable or isolated communities”

***Offset by “prior Provider Relief Fund payments that were not previously deducted in Phase 3” | Subject to Trim adjustments due to aberrant data

****The adjusted value of Medicare, Medicaid, and CHIP claims is scaled to 0.3% of the original value



Phase 4 Bonus Payments

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Repriced Claims

- HRSA will price Medicaid and CHIP claims data at Medicare rates
- HRSA will similarly price Medicare Advantage and Medicaid managed care encounter data at Medicare rates.
- For services provided predominantly in Medicaid, Medicaid managed care encounter data will be priced at average Medicaid/CHIP rates across states and territories.
- Medicaid supplemental payments will not be factored into bonus payment calculation

Bonus Payment

- HRSA will calculate the number and type of Medicare, Medicaid, and CHIP claims per billing TIN, and multiply them by the relevant prices from the “Repriced Claims” Above.
- HRSA will adjust the Bonus Payments to the portion of funding set aside for bonus payments.
- **The adjusted value of these claims will be scaled to approximately 0.3% of their original value in order to determine bonus payments.**



PRF Phase 3 and 4 Base Payment Hypothetical Example

Key	Quarterly Operating Income Comparison	Phase 3	Phase 4
A	CY 2020 Q1 vs. CY 2019 Q1	(2,000,000)	
B	CY 2020 Q2 vs. CY 2019 Q2	(8,000,000)	
C	CY 2020 Q3 vs. CY 2019 Q3		(5,000,000)
D	CY 2020 Q4 vs. CY 2019 Q4		1,000,000
E	CY 2021 Q1 vs. CY 2019 Q1		(6,000,000)
F=A:E	Total	(10,000,000)	(10,000,000)
G	Eligible % of Loss	88%	20%
H = F*G	Adjusted Lossed	(8,800,000)	(2,000,000)
I	General and Targeted PRF	10,000,000	0
J = H+I	Losses vs. General Targeted PRF	1,200,000	(2,000,000)
K = J (Phase 3)	Phase 3 Carryover to Phase 4*		1,200,000
L	Net Payment if Losses > PRF	0	800,000
M	Adjusted for Abberant Data? **	No	No

Phase 4 Bonus:

- Provider receives 0.3% bonus related to Medicaid and CHIP claims at a Medicare value | Repriced Medicaid and CHIP Claims from 1/1/2019 – 9/30/2020
- **Outstanding issue:** At what point in this example does the provider qualify for the bonus payment?

Provider ineligible for Phase 3 Payments as PRF > Adjusted Losses

*Provider Phase 4 Payment deducted by excess PRF “not previously deducted in Phase 3”.

**Aberrant data adjustments discussed on slide 15



PRF vs. Phase 3 and Phase 4 Losses

“HRSA will deduct prior Provider Relief Fund payments that were not previously deducted in Phase 3. This will allow providers that have not recently benefitted from the Provider Relief Fund to receive greater financial support.”

Hypothetical **Unconfirmed** Example (“Large” Hospital)

Phase 3 Results

A) 88% of Phase 3 Losses:	8,800,000
B) PRF Payments:	<u>(10,000,000)</u>
C) Losses vs. PRF (A+B):	(1,200,000) (No, does not qualify for payment)

- Provider would not have qualified for Phase 3 payment as Phase 3 Losses < PRF
- However, *if the Provider submitted a Phase 3 application, \$1.2M is carried forward to offset Phase 4 losses, as opposed to \$10M*

Phase 4 with no Phase 3 Application [**Unconfirmed**]

D) 20% of Phase 4 Losses:	2,000,000
E) PRF Payments (same as B):	<u>(10,000,000)</u>
F) Losses vs. PRF (D+E):	(8,000,000) (No, does not qualify for payment)

- Provider does not receive Phase 4 Payment because Phase 4 Losses < PRF

Phase 4 if Provider Submitted a Phase 3 Application [**Unconfirmed**]

G) 20% of Phase 4 Losses:	2,000,000
H) PRF vs. Phase 3 Losses (same as C):	<u>(1,200,000)</u>
I) Losses vs. PRF (G+I):	800,000 (Yes, is qualified for payment)

- Provider receives Phase 4 Payment because Phase 4 Losses > PRF Net of Phase 3 Losses



PRF Phase 3 and 4 Trim Adjustments (Acute Care Hospitals)

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Trim Adjustment Issue	Phase 3		Phase 4	
	Threshold	Unresolved Reasonable Adjustment*	Threshold	Unresolved Reasonable Adjustment*
1. Single quarter revenues or expenses greater than X% of NPSR	50%	Annual NPSR times mean loss ratio** of provider-type (5.26%)	Unknown	Caps quarterly losses at mean provider type loss ratio
2. Loss ratio greater than Nth (mean loss ratio plus one standard deviation) for their provider type	11.17%	Annual NPSR times mean loss ratio plus one standard deviation for provider type	Unknown	Adjusts quarterly losses to Nth percentile based on provider type
3. New provider**	New provider in 2020	2% of sum of CY 2020 Qs 1 and 2 revenues for new 2020 providers	New provider in 2019 or 2020	Median provider-type Loss Ratio times annual NPSR
4. High potential payment	N/A	No Payment	N/A	Caps Quarterly Losses at mean Provider-Type Loss Ratio

*May presume some inaccuracies in supporting documentation | No Payment when issues are not resolved due to insufficient, missing or inaccurate information

** Loss Ratio = Quarterly Losses / Annual Patient Care Revenue.

**New applicants (no prior PRF) will receive a payment that is the greater of A) 2% of Annual NPSR, or B) their calculated base payment.

***For pharmacies and durable medical equipment (DME) suppliers, HRSA capped Annual Patient Care Revenue at 10 percent of Annual Revenue



Phase 4 Redetermination

Phase 3: Was due November 12, 2021

Phase 4 and/or Rural ARP Recipients: May 2, 2022 Deadline | Subject to Available Funding

Phase 4 and/or Rural ARP Non-Recipients: Wait until receipt of Phase 4/ARP determination | 45 days to file for redetermination

- HRSA will not consider reconsideration requests that would require a change to payment methodology or policy | Providers may not revise or correct their submitted applications
- Submitting a Phase 3 reconsideration request does not affect a provider's eligibility for a PRF Phase 4 or ARP Rural payment
- Providers may request Phase 4/ARP Rural reconsideration, even if their Phase 3 reconsideration request is still being reviewed. Does not impact outcome of either the Phase 4/ARP Rural reconsideration request or the Phase 3 reconsideration request.
- Phase 4 Reconsideration using the [Phase 4 | Rural ARP Reconsideration Form](#) minimum documentation:
 - ✓ A copy of your payment determination letter from HRSA;
 - ✓ The contact information and Tax ID Number (TIN) included on the original Phase 4/ARP Rural application;
 - ✓ DocuSign envelope ID for the ARP Rural/Phase 4 application; and
 - ✓ The reason why you believe your Phase 4/ARP Rural payment was calculated incorrectly, tied to the [PRF Phase 4 and ARP Rural Payment Methodology](#)

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

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



FASB Contributions Received FASB ASC 958-605

- “contribution revenue would be recognized only to the extent that health care-related expenses or lost revenues have been incurred at that date, which will not be reimbursed from other sources”

GASB Contributions Received Technical Bulletin No. 2020-1

*Accounting and Financial Reporting Issues
Related to the CARES Act and Coronavirus
Diseases*

- “...a recipient government should recognize resources received from the CRF as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures. Resources received from CARES Act programs that specifically include an eligibility requirement for loss of revenue should be recognized as revenue when the government meets the action-based eligibility requirement”

FASB: <https://us.aicpa.org/content/dam/aicpa/interestareas/frc/downloadabledocuments/tqa-sections/tqa-section-6400-63-70.pdf>

GASB: https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176174832053&acceptedDisclaimer=true



Reporting Period (RP) 2 and Hypothetical Scenarios





Reporting Period	Pmt Received Period (>\$10K)	Period of Availability	Reporting Time Period
Period 1	4/10/20 - 6/30/20	1/1/20 - 6/30/21	7/1/21 - 11/30/21*
Period 2	7/1/20 - 12/31/20	1/1/20 - 12/31/21	1/1/22 - 3/31/22
Period 3	1/1/21 - 6/30/21	1/1/20 - 6/30/22	7/1/22 - 9/30/22
Period 4	7/1/21 - 12/31/21	1/1/20 - 12/31/22	1/1/23 - 3/31/23
<i>Period 5 (TBD)</i>	<i>1/1/22 - ??</i>	<i>1/1/20 - ??</i>	<i>??</i>

Carry-Forward of Expenses and Lost Revenues Not Applied in RP1

- Period of availability always begins 1/1/2020 for each RP
- Therefore, in RP2, providers COVID-19 expenses and lost revenues from 1/1/2020 through 6/30/2021 , if these amounts were not reported in RP1
- Additionally, in RP2, providers may report expenses and lost revenues from 7/1/2021 – 12/31/2021

* Includes Grace Period Extension



Carry-Forward of Expenses and Lost Revenues Not Applied in RP1

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[What's New in Reporting Period 2 Fact Sheet](#)

- “The Period of Availability for RP2 payments overlaps with payments received in RP1. Therefore, providers will need to show how payments were applied to expenses and lost revenues from Q1 2020 through Q4 of 2021. The expenses and lost revenues for Q3 2021 and Q4 2021 must not be duplicative of those included in the RP1 report for Q1 2020 through Q2 2021.”

[Lost Revenues Guide - Reporting Period 2](#)

- (Example 1) “When the provider comes in to report in Reporting Period 2, if the provider did not already apply the entire \$60M (losses from January 1, 2020 through June 30, 2021) to payments in RP1, the provider will be able to apply the remaining unreimbursed lost revenues up to the PRF payments received and not used on expenses attributable to coronavirus in RP2.”

[Reporting Period 2 Users Guide](#)

- “Lost revenues not used during this reporting period will be available for reimbursement during future reporting periods”

[HRSA FAQ Responses](#)

- “...Provider Relief Fund payments may be applied to expenses and lost revenues according to the period of availability of funding” ...“Duplication of expenses and lost revenues is not permitted”



Lost Revenue Guide – Example 1 Carry-Forward from PR1 to PR2

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- ABC's audited financial statements the 2019 quarterly patient care revenues were \$20M/quarter
- Patient care revenues dropped in 2020 and the first two quarters of 2021 to \$10M/quarter, after which they increased for the last two quarters of 2021
- ABC will include all patient care revenues in the PRF report and the report will calculate lost revenues of \$10M a quarter for all of 2020 and the first two quarters of 2021 for a total amount of lost revenues which can be applied towards PRF payments of \$60M
- When the provider comes in to report in RP2, **if the provider did not already apply the entire \$60M to payments in RP1, the provider will be able to apply the remaining unreimbursed lost revenues up to the PRF payments received and not used on expenses attributable to coronavirus in RP2**

Period	Q1	Q2	Q3	Q4	Total
CY 2019	20	20	20	20	80
CY 2020	10	10	10	10	40
Variance from 2019	(10)	(10)	(10)	(10)	(40)

Period	Q1	Q2	Q3	Q4	Total
CY 2019	20	20	20	20	80
CY 2021	10	10	20	20	60
Variance from 2019	(10)	(10)	0	0	(20)

Total Losses	(20)	(20)	(10)	(10)	(60)
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Patient Care Lost Revenues

Reporting Complexity | Increased Likelihood of Audit

Actual Losses (Option i)

- Base Period 2019 (CY Quarters)
- Each quarter during period of availability
- Net Patient Care Revenue (NSRS) Before Expenses

Actual to Budget Losses (Option ii)

- Quarterly Actual vs. Budget comparison during the period of availability
- Budget base year reflects 2020 and 2021 budgets approved by 3/27/20
- NPSR Before Expenses

Alternative (Option iii)

- Any Reasonable Method of Estimating Revenue (“apples to apples”)
- Description and explanation
- Define how lost revenues were attributable to coronavirus, as opposed to by any other source

HRSA examples:

- adding a new service, which made revenue appear higher than an apples-to-apples comparison;
- major changes in response to COVID-19 preventing planned changes that would have generated more revenue

Source: [Lost Revenues Guide - Reporting Period 2](#)



RP 2: Changes to Lost Revenue Methodology is Permitted



Providers may change the methodology and | or values used in RP1, provided the change is used across the entire Pd 2 period of availability (lost revenues from 1/1/20 to 12/31/21)



Must submit narrative, limited to 1,000 characters, justify the change in lost revenues calculation method



If Provider is using the same methodology in PR2 as in PR1:

Actual Losses (Option i) – Previously reported values on the 2019 Actual Revenue (Calculation of Lost Revenues Attributable to Coronavirus) will pre-populate

Budgeted Losses (Option ii) – Budgeted Revenue (Calculation of Lost Revenues Attributable to Coronavirus) page will be pre-populated for Q1 (2020) – Q2 (2021), Q3 and Q4 for 2021 will require input of values

Alternative Losses (Option iii) – Some of the information on the Alternate Method of Calculating Lost Revenues Attributable to Coronavirus page will pre-populate for Provider to confirm

Sources: [Reporting Period 2 Users Guide](#)
[Lost Revenues Guide - Reporting Period 2](#)



RP 2: Changes to Lost Revenue Methodology is Permitted

New per
1/27/22
FAQs

Change in Lost Revenue Method Increases RP1 Lost Revenue

- Per HHS: If a Provider had lost revenues for the overlapping period of availability than the Entity was able to demonstrate in a previous reporting period (i.e., RP1), then the Provider will be able to reimburse the unused lost revenues with **payments issued in subsequent periods** (i.e., RP2).
- **Toyon's Take:** The carry-forward of lost revenue from RP1 to RP2 would enable providers to report additional lost revenue to reports towards Period 2 PRF.

Change in Lost Revenue Method Decreases RP1 Lost Revenue

- If a Provider changes its method and was **previously reimbursed for more lost revenues** than they had for the period of availability, they may be required to return more funds than they received during the applicable "Payment Received Period."
- **Toyon's Take:** If re-calculated revenue loss does not cover PRF in RP1, then the Provider will have to return excess funds related to PRF greater than Lost Revenue (and Expenses) in RP1.

Source: [January 27, 2022 FAQ Update](#)



Considerations Reporting Patient Care Revenue and Expenses

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“Apples to Apples” Patient Care Revenue and Expenses

Settlement Revenue

7/1/2021 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 (2019-2021). Should Provider Relief Fund recipients exclude from the reporting of net patient revenue payments received for care not provided in 2019, 2020, or 2021? (Modified 7/1/2021)

HHS Response: 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, 2020, or 2021.

Grant Revenue

12/4/2020 FAQ: Should providers include fundraising revenues, grants or donations when determining patient care revenue?

HHS Response: To calculate lost revenues attributable to coronavirus, providers are required to report revenues received from Medicare, Medicaid, commercial insurance, and other sources for patient care services. Other sources include fundraising revenues, grants or donations if they contribute to funding patient care services.

However, June 11 Post-Payment Requirements State: “Patient Care” should not include non-patient care revenue such...grants or tuition.



General PRF

- General payments may be transferred in either direction between a parent TIN and its subsidiary TIN(s).

Targeted PRF

- A Parent TIN cannot report on a subsidiary's Targeted Distribution payments
- The original recipient of a Targeted payment must always be the Reporting Entity
- Parent entities may transfer and re-distribute Targeted payments to, between, and among its eligible health care provider subsidiaries*.

- The Targeted Distribution payment allocation may not exceed the parent entity's pro rata ownership share of the subsidiary. Further, transferred Targeted Distribution payments face an increased likelihood of HRSA audit.
- Transfer recipient should provide the original recipient with use of the funds for reporting of original recipient.
- Providers must enter Targeted payments transferred to/by the parent entity.
- Source: [Parent-Subsidiary Reporting Fact Sheet \(General and Targeted Funds\)](#)



New per
1/27/22
FAQs

Hypothetical Scenario A Transfer of Targeted Payments from Subsidiary to Parent Supported by COVID-19 Expenses

Before Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	Targeted Pmt	Expenses	Note
Parent	0	(20,000,000)	
Subsidiary	5,000,000	(1,000,000)	
Total	5,000,000	(21,000,000)	

After Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	Targeted Pmt	Expenses	Note
Parent	0	(15,000,000)	-\$5M to Subsidiary
Subsidiary	5,000,000	(6,000,000)	+\$5M from Parent
Total	5,000,000	(21,000,000)	

Per HHS 1/27/22 FAQ Response...”For any subsidiary that was the original recipient of a Targeted Distribution payment reporting on a payment spent by a parent entity, ****the expense worksheet(s) in the subsidiary report must include any expenses applied to the payment, whether those were the expenses of the subsidiary or the entity to which the payments were transferred.***” Source: [January 27, 2022 FAQ Update](#)



New per
1/27/22
FAQs

Hypothetical Scenario B Transfer of Targeted Payments from Subsidiary to Parent Supported by Lost Revenues

Before Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	Targeted Pmt	Lost Revenues	Note
Parent	0	(50,000,000)	
Subsidiary	5,000,000	(2,000,000)	
Total	5,000,000	(52,000,000)	

After Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	Targeted Pmt	Lost Revenues	Note
Parent	0	(47,000,000)	-\$3M to Subsidiary
Subsidiary	5,000,000	(5,000,000)	+\$3M from Parent
Total	5,000,000	(52,000,000)	

- The subsidiary that originally received the Targeted Distribution should report the exact amount of lost revenues as the Targeted Distribution payment and the same dollar amount by which the parent entity's lost revenues were reduced.
- The deductions and reconciliations must be accounted for in each methodology calculation for the parent and subsidiary that originally received the Targeted Distribution payment. Both reports together should be sufficient for audit purposes.

Use Alternate Reporting (Option iii)

- The subsidiary can use the alternative method for calculating lost revenues and demonstrate in their method how the lost revenues of the parent or other subsidiary entity to which the payment was transferred was considered in the lost revenue calculation.
- Using the alternative reasonable methodology will allow Reporting Entities to reduce the parent entity's report by the amount of lost revenues accounted for by the Targeted Distribution payment originally received by the subsidiary.



Hypothetical Scenario C Transfer of Targeted Payments from Subsidiary to Parent

Before Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	General Pmt	Targeted Pmt	Total PRF	Other Funding	Expenses Net of Other PRF	Note
Parent	10,000,000	0	10,000,000	0	(15,500,000)	
Subsidiary	0	5,000,000	5,000,000	0	(500,000)	
Total	10,000,000	5,000,000	15,000,000	0	(16,000,000)	

After Transfer of \$5M Targeted Funds from Subsidiary to Parent

Entity	General Pmt	Targeted Pmt	Total PRF	Other Funding	Expenses Net of Other PRF	Note
Parent	10,000,000	0	10,000,000	5,000,000	(10,500,000)	Note 1
Subsidiary	0	0	0	0	(5,500,000)	Note 2
Total	10,000,000	0	10,000,000	5,000,000	(16,000,000)	

Note 1: \$5M Reported in Portal as Other Funding to offset COVID-19 expenses

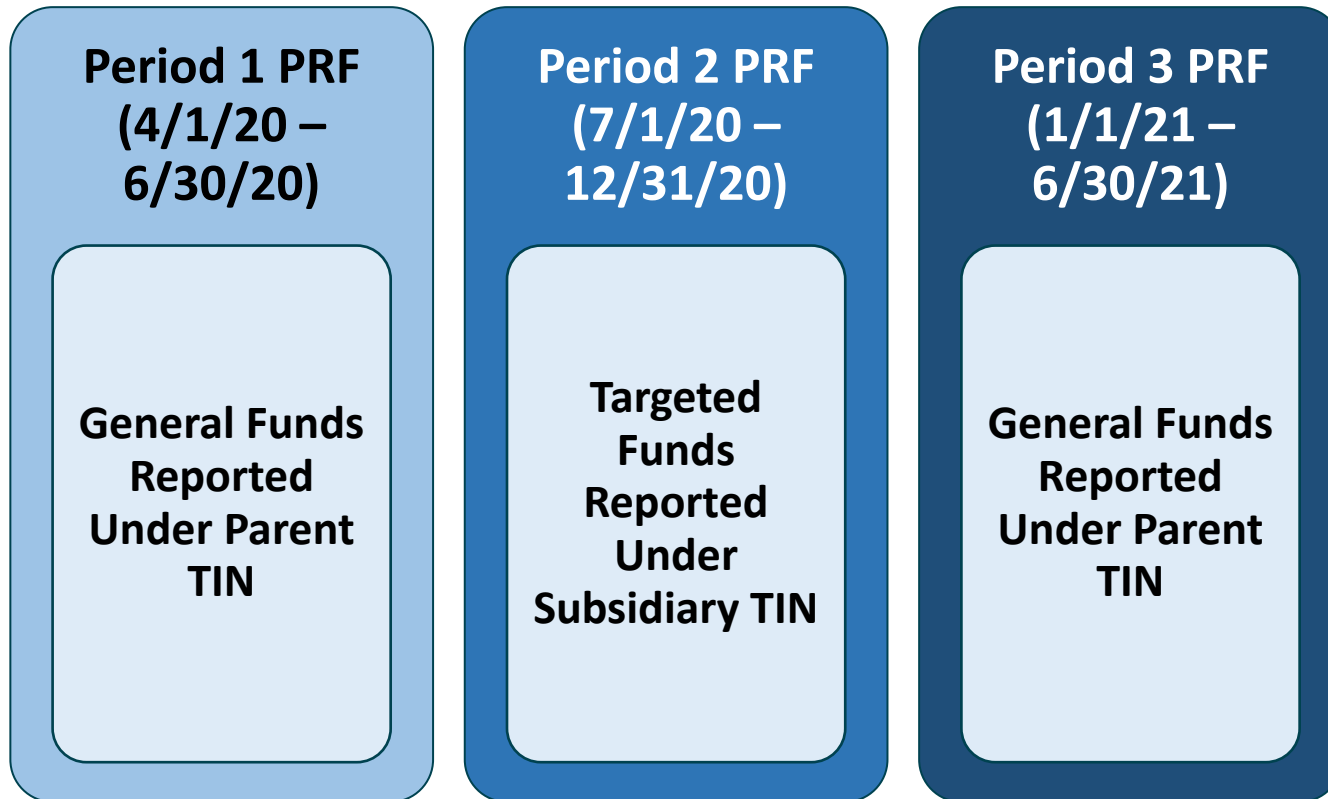
Note 2: \$5M Reported in Portal as COVID-19 Expense

This represents a hypothetical example NOT included in Updated FAQs 1/27/2022



Hypothetical Scenario D

Parent and Subsidiary PRF Across Reporting Periods



- Providers switching between reporting under Parent and Subsidiary TIN across periods:
 - May need to reclassify Prior Period “carry-forward” amounts of expenses and | lost revenues
 - The Carry-Forward is necessary to recognize PRF against all allowable expenses and lost revenues during the entire period of availability.

[Parent-Subsidiary Reporting Fact Sheet \(General and Targeted Funds\)](#): If a parent TIN has already reported on behalf of its subsidiary’s **General Distribution payments**, and the subsidiary has only received those General Distribution funds, then the subsidiary should not register to report.



Hypothetical Scenario E No New Expenses Overlapping with RP 1 Reported

Key	Reporting Quarter	RP1			RP2		
		Expenses	Lost Revenue	Note	Expenses	Lost Revenue	Note
A	CY 2020 Q1	(500,000)	(2,000,000)	RP1	0	0	
B	CY 2020 Q2	(500,000)	(2,000,000)	RP1	0	0	
C	CY 2020 Q3	(500,000)	(2,000,000)	RP1	0	0	
D	CY 2020 Q4	(500,000)	(2,000,000)	RP1	0	0	
E	CY 2021 Q1	(500,000)	(2,000,000)	Lost Rev To RP2	0	(2,000,000)	RP2 (From RP1)
F	CY 2021 Q2	(500,000)	(2,000,000)	Lost Rev To RP2	0	(2,000,000)	RP2 (From RP1)
G	CY 2021 Q3	N/A	N/A		(500,000)	(2,000,000)	RP2
H	CY 2021 Q4	N/A	N/A		(500,000)	(2,000,000)	Lost Rev To RP3
I=A:H	Total	(3,000,000)	(12,000,000)		(1,000,000)	(8,000,000)	

J	Total PRF		11,000,000	General Pmt		7,000,000	Targeted Pmt
K = I (exp)	COVID-19 Expenses		<u>(3,000,000)</u>			<u>(1,000,000)</u>	
L=J+K	Remaining PRF		8,000,000			6,000,000	
M=I (lost Rev)	Lost Revenue		<u>(12,000,000)</u>			<u>(8,000,000)</u>	
N=L+M	Carry-Forward		(4,000,000)	To RP2		(2,000,000)	To RP3



Hypothetical Scenario F

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Additional \$100K Expenses per Quarter Overlapping with RP1 (Not Duplicated from RP1)

Key	Reporting Quarter	RP1			RP2		
		Expenses	Lost Revenue	Note	Expenses	Lost Revenue	Note
A	CY 2020 Q1	(500,000)	(2,000,000)	RP1	(100,000)	0	RP2
B	CY 2020 Q2	(500,000)	(2,000,000)	RP1	(100,000)	0	RP2
C	CY 2020 Q3	(500,000)	(2,000,000)	RP1	(100,000)	0	RP2
D	CY 2020 Q4	(500,000)	(2,000,000)	RP1	(100,000)	0	RP2
E	CY 2021 Q1	(500,000)	(2,000,000)	Lost Rev To RP2	(100,000)	(2,000,000)	RP2
F	CY 2021 Q2	(500,000)	(2,000,000)	Lost Rev To RP2	(100,000)	(2,000,000)	RP2
G	CY 2021 Q3	N/A	N/A		(600,000)	(2,000,000)	RP2
H	CY 2021 Q4	N/A	N/A		(600,000)	(2,000,000)	Lost Rev to RP3
I=A:H	Total	(3,000,000)	(12,000,000)		(1,800,000)	(8,000,000)	

J	Total PRF		11,000,000	General Pmt		7,000,000	Targeted Pmt
K = I (exp)	COVID-19 Expenses		<u>(3,000,000)</u>			<u>(1,800,000)</u>	
L=J+K	Remaining PRF		8,000,000			5,200,000	
M=I (lost Rev)	Lost Revenue		<u>(12,000,000)</u>			<u>(8,000,000)</u>	
N=L+M	Carry-Forward		(4,000,000)	To RP2		(2,800,000)	To RP3



CARES PRF RP2

Observations and Recommendations

PR 1 Data

Some data from PR1 will automatically populate in the PR 2 Portal

- COVID-19 expenses from RP1 will not pre-populate
- Remaining unused lost revenues that can be reimbursed by PRF payments will prepopulate

COVID-19 Expenses

Reporting unreimbursed expenses may help demonstrate need for additional funding

- When considering COVID-19 expenses, HRSA suggests providers determine “Is the expense necessary and reasonable to support patient care efforts to prepare for, prevent, or respond to coronavirus?”
- Providers only need to report amount of COVID-19 expenses used towards PRF up to Pd 2 funding amount.
- Recommended to evaluate if other COVID-19 payments are included in lost revenue and avoid duplication when offsetting COVID-19 expenses by sources of other funding.

Workpapers

Determination of patient care revenues and expenses

- Demonstrate if and how COVID-19 expenses were reduced by sources of other revenue
- Disclose if only reporting lost revenue (and no COVID-19 expenses)...i.e., waiting for funding from other sources



PRF Audit





Hospital's Compliance With the Provider Relief Fund Balance Billing Requirement Out-of -Network Patients

- ❑ **Balance Billing Requirement** - HHS announced nationwide audit to determine whether PRF recipients complied with the balance billing requirement for COVID - 19 inpatients (Report W-00-22-35878, Expected Issue Date 2023).
- ❑ HHS will assess “how bills were calculated for out-of-network patients admitted for COVID-19 treatment, review supporting documentation for compliance, and assess procedural controls and monitoring to ensure compliance with the balance billing requirement”.
 - PRF attest to specific requirements, including a requirement that providers, such as hospitals, must not pursue the collection of out-of-pocket payments from presumptive or actual COVID - 19 patients in excess of what the patients otherwise would have been required to pay if the care had been provided by in-network providers.
- ❑ **Industry Issue** – How do providers identify and provide this patient population to auditors?

Source: <https://oig.hhs.gov/reports-and-publications/workplan/summary/wp-summary-0000647.asp>



OMB Compliance Supplement

2 CFR Part 200 Appendix XI

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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.)

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.)

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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 ⁵	<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

OMB will releasing additional audit requirements



Recent FAQs and Resources





Recent FAQs

Issued January 27, 2022

1. Can a Reporting Entity use a different lost revenues methodology for each reporting period? – **Slide 23**
2. In subsequent reporting periods, will Reporting Entities be able to change the lost revenues methodology used in a previous reporting period? – **Slide 24**
3. In a previous reporting period, a Reporting Entity reported lost revenues that were greater than the PRF payments it received. How will the system account for the unused lost revenues previously reported? – **Slide 24**
4. Could choosing a different methodology from one reporting period to another result in having unused funds to return because the method to calculate lost revenues has now changed? – **Slide 24**
5. What happens when a Reporting Entity changes the lost revenues methodology from one reporting period to the next? – **Slide 24**
6. Can Nursing Home Infection Control payments be used to reimburse lost revenues attributable to coronavirus?

Source: [January 27, 2022 FAQ Update](#)



Recent FAQs

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Issued January 27, 2022

7. If a nursing home or skilled nursing facility received Nursing Home Infection Control Distribution payments in addition to General Distribution payments and other Targeted Distribution payments, how may these payments be applied toward expenses and lost revenues?
8. When completing a report, are Reporting Entities required to submit documentation to support Nursing Home Infection Control Distribution expenses?
9. If the original recipient of a Targeted Distribution payment is a subsidiary, and the recipient transferred that payment to a parent entity, how does the original recipient (i.e., subsidiary) demonstrate the use of funds in its report? Is it sufficient for the subsidiary to report the amount transferred to the parent entity? – **Slides 27 and 28**
10. If a Reporting Entity plans to report on General Distribution payments that were transferred from a subsidiary that received the initial payment, how should patient care revenue or lost revenues be aggregated and reported in the portal?
11. If a Reporting Entity returned funds and the returned funds are not reflected in the “Payments to Recipients” page in the PRF Reporting Portal, what should the Reporting Entity do?
12. If a Reporting Entity returns unused funds in excess of the amount owed, will HRSA repay the Entity the difference between what was owed and returned?

Source: [January 27, 2022 FAQ Update](#)



Resources

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HRSA RP2

[HRSA's website](#)

[Resource Guide for Reporting Period 2](#)

[What's New in Reporting Period 2 Fact Sheet](#)

[Lost Revenues Guide - Reporting Period 2](#)

[Parent-Subsidiary Reporting Fact Sheet \(General and Targeted Funds\)](#)

[HRSA Excel Data Entry Workbook](#)

[Reporting Period 2 Users Guide](#)

[Ownership Changes Fact Sheet](#)

[Reporting Non-Compliance Fact Sheet](#)

[Independent Audit Fact Sheet](#)

[Reporting Patient Metrics Fact Sheet](#)

[January 27, 2022 FAQ Update](#)



Resources

Provider Funding Amounts

Appropriated and Allocated General and Targeted PRF as of 11/12/2021

- <https://www.hrsa.gov/provider-relief/past-payments/general-distribution>
- <https://www.hrsa.gov/provider-relief/past-payments/targeted-distribution>

Phase 4 General Distributions

- <https://www.hrsa.gov/provider-relief/data/general-distribution/phase-4-general-distribution-payments>
- <https://www.hhs.gov/about/news/2022/01/25/hhs-distributing-2-billion-more-provider-relief-fund-payments-health-care-providers-impacted-covid-19-pandemic.html>

ARP Rural Distribution January 2022

- <https://www.hrsa.gov/provider-relief/data/targeted-distribution/arp-rural>

Total HRSA Uninsured payments as of 1/20/2022

- <https://data.cdc.gov/Administrative/Claims-Reimbursement-to-Health-Care-Providers-and-/rksx-33p3>



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



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