



Key considerations for COVID-19 funding for healthcare organizations

July 21, 2020



Objectives of today's discussion

At the end of today's session, attendees will have an understanding of:



Available funding opportunities for health care providers impacted by COVID-19



Overview of the CARES Act Provider Relief Fund (PRF) and related distribution methodologies



The terms and conditions attached to the acceptance of the PRF and related compliance considerations



Management activities to substantiate the use of the PRF, track related guidance, and prepare for audits

Today's speakers



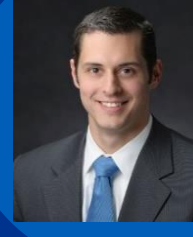
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Available funding for New York providers

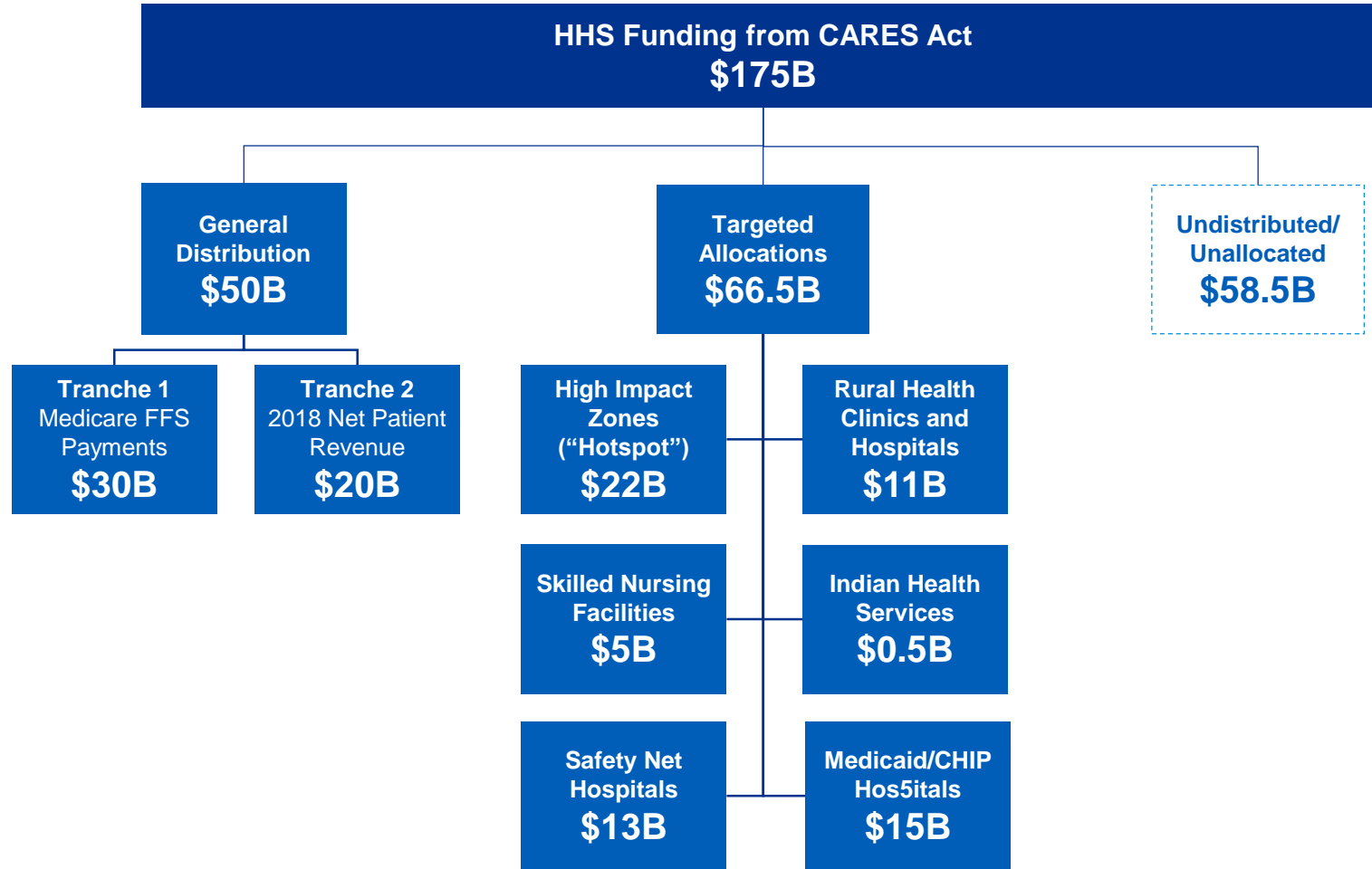
Federal Funding Source	Agency
Provider Relief Fund	HHS
Telehealth Network and Telehealth Resource Centers Grant Programs	HRSA
COVID-19 Testing Fund	HRSA
Testing and Treatment of Uninsured	HRSA
Telehealth Grant	FCC
FEMA Public Assistance Program	FEMA
Crisis Counseling and Training Program	FEMA
Health Surveillance and Program Support	SAMHSA
Emergency Grants	SAMHSA
Emergency Relief and Taxpayer Protections	IRS
Employee Retention Tax Credit	IRS
Paycheck Protection Program	SBA
Economic Injury Disaster Loan	SBA

New York State Funding Source	Agency/Private Foundation
Grants for nonprofit service providers	NYSHealth
Vital Access Provider Program	NY DOH
Grants for nonprofit organizations that address health needs of New Yorkers	Mother Cabrini Health Foundation
Grants for organizations that serve vulnerable populations	Robin Hood Relief Fund

Potential “Other Sources” of Federal Funding	Agency
Accelerated/Advance Payments	CMS
2% Medicare Sequestration Suspension	CMS
20% weighted increase to COVID-related DRGs	CMS

** Please note that this list should not be treated as comprehensive and each organization should conduct their own independent research when pursuing funding.*

Overview of the PRF



Risks to Providers in PRF Distribution Methodology

1.) General Distribution Methodology

The rule of thumb is that general distributions should not exceed 2 percent of net patient revenue. Providers that received more than 2 percent of their net patient revenue should assess their need and confirm whether they can substantiate the need.

2.) Eligibility Criteria for Automatic Distributions

For Safety Net Hospitals, the eligibility was determined based on 2018 Cost Reports – some providers may no longer meet eligibility criteria based on more recent information.

Source: www.hhs.gov



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PRF distribution methodology and considerations

Distribution	PRF Amount Allocated	Provider Eligibility Criteria	Distribution Methodology
General Distribution Tranche 1	\$30B	<ul style="list-style-type: none"> All facilities and providers that received Medicare fee-for-service (FFS) reimbursements in 2019 were eligible for this initial distribution 	<ul style="list-style-type: none"> Payment Allocation per Provider = (Provider's 2019 Medicare FFS Payments / \$453B) x \$30B
General Distribution Tranche 2	\$20B	<ul style="list-style-type: none"> All facilities and providers that received Medicare FFS reimbursements in 2019 are eligible for this initial rapid distribution 	<ul style="list-style-type: none"> Payment Allocation per Provider = ((Most Recent Tax Year Annual Net Patient Revenue x \$50 Billion) / \$2.5 Trillion) – Initial General Distribution Payment to Provider
High Impact Distribution Tranche 1	\$12B	<ul style="list-style-type: none"> Facilities with 100 or more COVID-19 admissions from January 1, 2020 – April 10, 2020 	<ul style="list-style-type: none"> Payment Allocation per Hospital = Number of COVID-19 Admissions x \$76,975 Additional Payment Allocation per Hospital = \$2 Billion x (Hospital Medicare Funding / Sum of Medicare Funding for 395 Hospitals)
High Impact Distribution Tranche 2	\$10B	<ul style="list-style-type: none"> Facilities with 161 or more COVID-19 admissions from January 1, 2020 – June 10, 2020 or that experienced a disproportionate intensity of COVID-19 admission (exceeding average ratio of COVID admissions/bed) 	<ul style="list-style-type: none"> Payment Allocation per Hospital = Number of COVID-19 Admissions x \$50,000

Source: www.tlrs.gov



PRF distribution methodology and considerations

Distribution	PRF Amount Allocated	Provider Eligibility Criteria	Distribution Methodology
<p align="center">Rural Health Care Providers</p>	<p align="center">\$11B</p>	<ul style="list-style-type: none"> ▪ Facilities located in a geography that meets HHS' "rural" definition: <ul style="list-style-type: none"> ▪ All non-Metro counties; ▪ All Census Tracts 1 within a Metropolitan county that have a Rural-Urban Commuting Area (RUCA) code of 4-10; ▪ 132 large area census tracts with RUCA codes 2 or 3; ▪ For independent Rural Health Clinics: outside of an Urbanized Area as defined by the U.S. Census Bureau. 	<p>Rural Acute Care Hospitals and Critical Access Hospitals:</p> <ul style="list-style-type: none"> ▪ Per Hospital Allocation = Graduated Base Payment + 1.97% of the hospital's expenses <p>Rural Health Clinics (RHCs):</p> <ul style="list-style-type: none"> ▪ Per Independent RHC \$ Allocation = \$100,000 per clinic site + 3.6% of the RHC's operating expenses <p>Community Health Centers:</p> <ul style="list-style-type: none"> ▪ Per FQHC \$ Allocation = \$100,000 per rural clinic site
<p align="center">Skilled Nursing Facilities</p>	<p align="center">\$4.9B</p>	<ul style="list-style-type: none"> ▪ SNFs with 6 or more beds 	<ul style="list-style-type: none"> ▪ Payment Allocation per Facility = Fixed Payment of \$50,000 + \$2,500 per Certified Bed

Source: www.hhs.gov



PRF distribution methodology and considerations

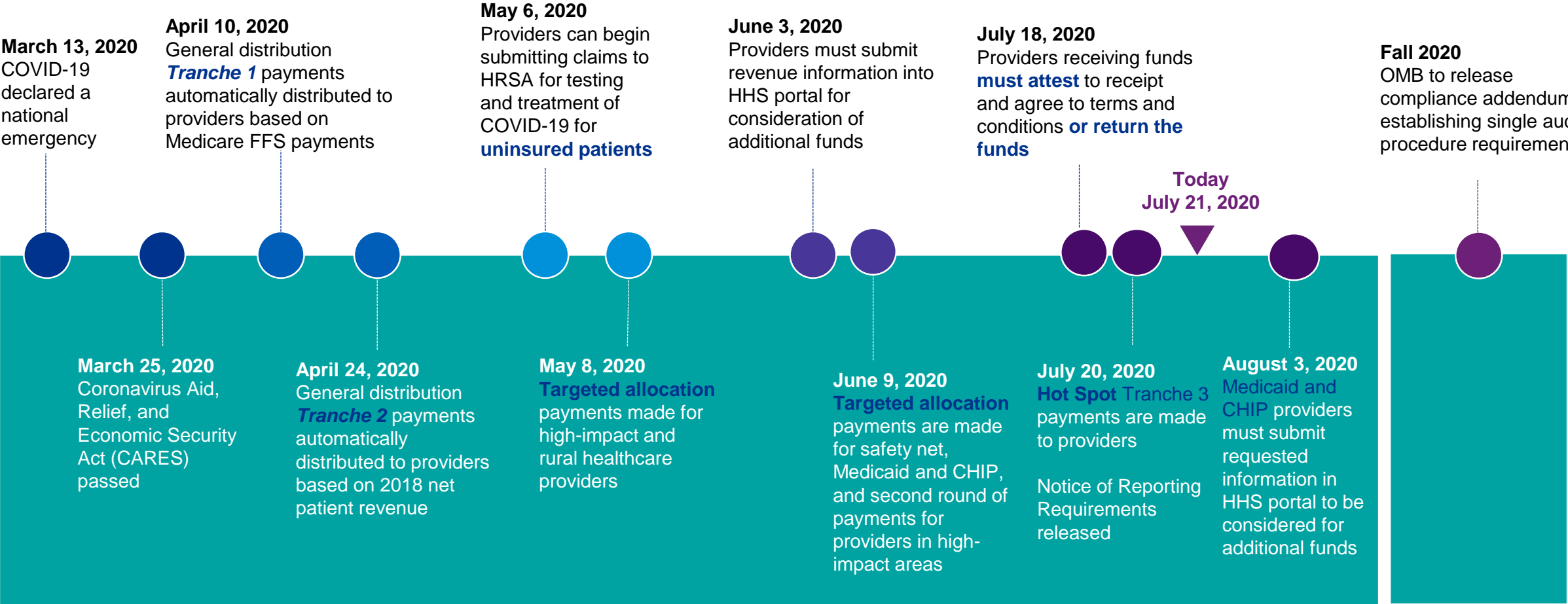
Distribution	PRF Amount Allocated	Provider Eligibility Criteria	Distribution Methodology
<p>Safety Net Hospitals</p>	<p>\$13B</p>	<p>Providers must meet all of the following criteria:</p> <ul style="list-style-type: none"> ▪ A Medicare Disproportionate Payment Percentage (DPP) of 20.2 percent or greater; ▪ Average Uncompensated Care per bed of \$25,000 or more. For example, a hospital with 100 beds would need to provide \$2,500,000 in Uncompensated Care in a year to meet this requirement; and ▪ Profitability of 3 percent or less, as reported to CMS in its most recently filed Cost Report 	<ul style="list-style-type: none"> ▪ Payment Allocation per Hospital = (Hospital's Facility Score* / Cumulative Facility Scores across All Safety Net Hospitals) x \$10 Billion <p><i>* Facility Score = Number of facility beds x Medicare Disproportionate Payment Percentage (DPP)</i></p>
<p>Medicaid and CHIP Distribution</p>	<p>\$15B</p>	<ul style="list-style-type: none"> ▪ Must not have received payment from the \$50 billion General Distribution; and ▪ Must have directly billed Medicaid/CHIP programs or Medicaid managed care plans for healthcare-related services during the period of January 1, 2018, to December 31, 2019. 	<ul style="list-style-type: none"> ▪ Payment Allocation per Provider = 2% (Gross Revenues x Percent of Gross Revenues from Patient Care) <p><i>* For CY 2017 or 2018 or 2019 as selected by applicant</i></p>

Source: www.hhs.gov



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PRF distribution timeline and key dates



Source: www.hhs.gov



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HHS' terms and conditions

Acceptance of the provider relief funds requires an attestation to the terms and conditions set forth by HHS.

Eligible status



- Billed Medicare in 2019
- Provided diagnosis, testing, or care for individuals with actual or possible cases of COVID-19 after January 31, 2020
- Not excluded from federal healthcare programs

Use of funds



- Only to prevent, prepare for, and respond to COVID-19
- Only to reimburse for healthcare-related expenses or lost revenues attributable to COVID-19
- Must not use the funds to compensate for expenses or lost revenues that have been reimbursed from other sources (i.e., FEMA funding, state grants, program-specific funding, commercial insurance, etc.)

Supporting records



- Maintain all records and cost documentation to support the appropriate use of funds, and provide to the Secretary of HHS upon request
- Substantiate use of funds for increased healthcare-related expenses or lost revenue attributable to COVID-19 and evidence that those expenses/losses were not reimbursed from other sources
- Submit quarterly report to reflect total receipt of funds as well as detailed list of all projects/activities in which covered funds were expended

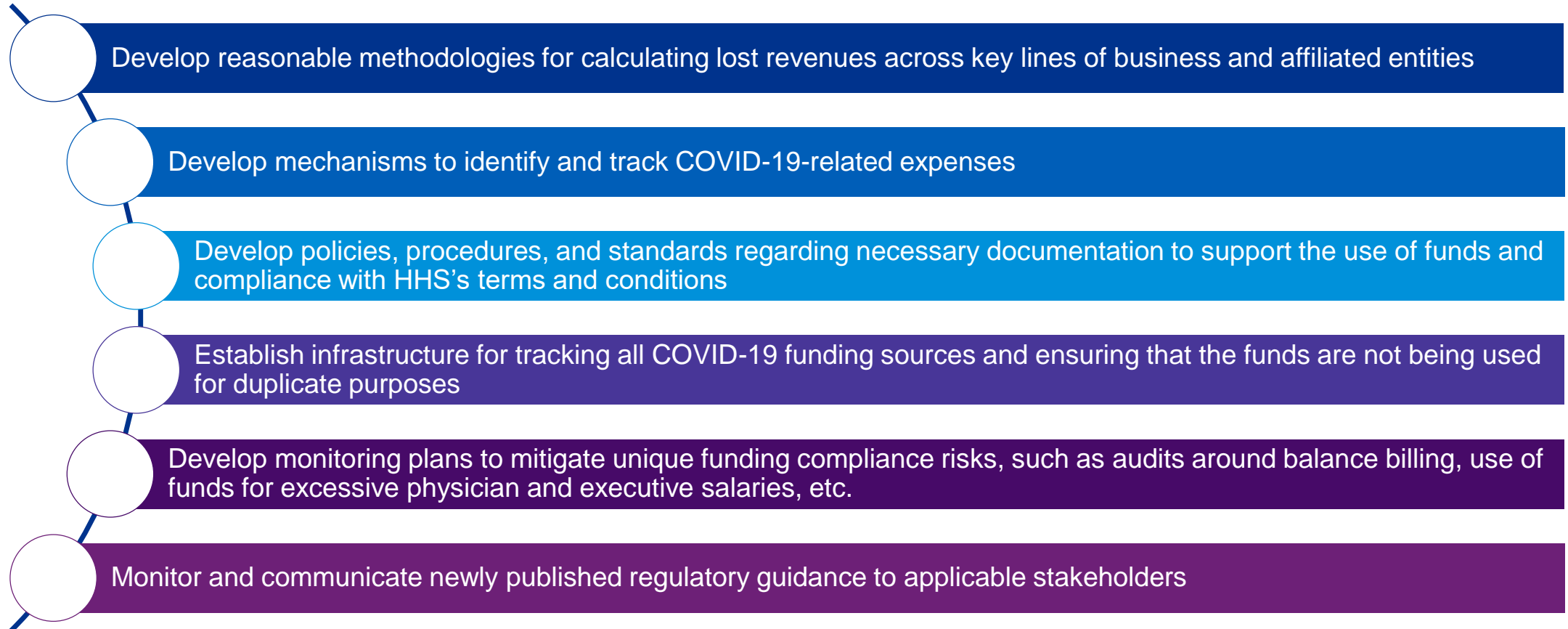
Other compliance obligations



- Restrictions on balance billing of out-of-network COVID-19 patients (i.e., seeking to collect more than what the patient would have otherwise been required to pay if he/she was an in-network patient)
- Restrictions on using funds to pay for excessive salaries of physicians or executives beyond defined level

Management activities and controls

Upon the decision to retain the funds, the following activities should be taken in order to manage the funds going forward and support compliance with the terms and conditions.



CARES Act single audit considerations

April 2020

Provider relief funds were distributed to not-for-profit and for-profit entities and are viewed as grants provided from a federal agency.

June 2020

During June 2020, HHS assigned a CFDA number for provider relief funds creating a need for a single audit to be performed for both not-for-profit and for profit entities that received funds. However, it later backtracked regarding the use of single audits.

July 2020

HHS confirmed that PRF ARE subject to single audit. The program will be included in the Compliance Supplement, but that is not expected until the Fall.

HHS FAQ Link

<https://www.hhs.gov/sites/default/files/provider-relief-fund-general-distribution-faqs.pdf>

Key activities in COVID-19 funding risk mitigation

Output **COVID-19 funding opportunity tracking**

Purpose To track federal, state, and local COVID-19 funding sources, track key action dates, and document evaluation decision to pursue

Sample

Status/ Mandate	Item under Status/Mandate	Funding Agency	Details	Link to Source
CARES Act	DIVISION D—HEALTH CARE RESPONSE: TITLE I—HEALTH PROVISIONS, SUBTITLE B—Access to Health Care for COVID-19 Patients, SEC. 3078 (As per CARES Act on 09 March) and sec 4201 (CARES Act signed on March 27)	HRSA	-For grants under the Health Centers Program, as defined by section 330 of the Public Health Service Act, to prevent, prepare for, and respond to coronavirus. -Awarded \$100 million to 1,381 health centers across the country on March 24, 2020 -Awarded more than \$1.3bn to 1,387 health centers on April 8, 2020.	https://www.hhs.gov/press/20200408-hrsa-awards https://www.congress.gov/bills/116/9121/all-actions/1

S.No.	Source of Funds	Funding Agency	Available Funding Amount (US\$)	Funding Mechanism	Application due date	Pursuing (Y/N)	Elig to
1	Provider Relief Fund (Public Health and Social Services Emergency Fund)	HHS	\$102 bn	Grants	- 45 days to complete attestation - April 25: For COVID Hotspot - June 3: General allocation	Y	
2	Provider Relief Fund (Public Health and Social Services Emergency Fund): Treatment of Uninsured	HRSA	Unspecified (Subject to availability of funding)	Reimbursement	May 6: Begin submitting claims		
3	Reimbursement of COVID-19 diagnostic testing and services provided to uninsured individuals	HRSA	\$1 bn	Reimbursement	May 6: Begin submitting claims		
4	Public Health and Social Services Emergency Fund	HHS	\$75 bn for Provider \$25 bn for COVID Testing	Grants	45 days to complete attestation		
5	COVID-19 Telehealth Program	FCC	\$200 mn	Reimbursement	Open enrollment	Y	
6	Telehealth Network and Telehealth Resource Centers Grant Programs	HRSA	\$29 mn per fiscal through 2021 and 2025	Grants			
7	FEMA Public Assistance (PA) Program	FEMA	1) \$44,987,000 - For Operations and Support 2) Additional \$45 bn - For Disaster Relief Fund	Reimbursement	Open enrollment	Y	
8	Assistance to Firefighters Grant – COVID-19 Supplemental Program (AFG-S)	FEMA	\$100 mn - For EMS	Reimbursement	May 15, 2020		
9	Emergency Management Performance Grant - Supplemental	FEMA	\$100 mn	Grants	April 28, 2020		

Key Activities in Funding Opportunity Tracking

- Design a centralized tracking template to capture key funding source attributes:
 - Provider Eligibility Criteria
 - Qualifying Lost Revenues and Expenses
 - Federal, State, Local agency providing the funds
 - Terms and Conditions (if known)
 - Funding Amount Available
 - Application Dates, Subsequent Reporting Dates, etc.
- Dedicate resources to update the funding tracker on a daily basis based on their research of funding sources available
- Document Management’s decisions and rationales regarding whether to pursue the funds or not – based on information known at the time of the decision
- Review the tracker on a periodic basis with compliance, finance, and operational stakeholders to ensure alignment across the organization

Key activities in COVID-19 funding risk mitigation

Output COVID-19 TIN-level sources and uses

Purpose To match COVID-19 funding sources to uses, to verify and document distinct funding sources for expenses incurred to avoid duplication of funding, and to assess over/under funding levels at the TIN level

Sample

GL Eff Da	Vendor Cst	Vendor Name	PO No	Invoice No	Invoice Da	Invoice Description
4/2/2020	8724	CDW GOVERNMENT INC	304580	XX029181	4/1/2020	OTTERBOX ALPHA GLASS SCREEN PROTECTOR FOR IPAD 10.2 INCH (7TH GEN)
4/19/2020	8724	CDW GOVERNMENT INC	304580	XXD3942	4/1/2020	OTTERBOX SYMMETRY CASE FOR IPAD 10.2 INCH (7TH GEN) - CLEAR
						OTTERBOX ALPHA GLASS SCREEN PROTECTOR

	Funding Source									
	Interrupted Coverage	Pollution Coverage	ASPR Grant	COVID-19 FEMA Claim ⁽¹⁾	FCC Telehealth Grant	Provider Relief Fund	Emergency CON	Medicare Sequestration ⁽²⁾	Uninsured/Underinsured COVID Testing & Overhead	
Total	\$1,000,000	\$1,000,000	\$17,000	\$1,535,540	\$163,771	\$15,045,802	\$1,383,376	\$2,372,032	\$152,000	
Lost Revenue										
Regulated Undercharge		27,000,000								27,000,000
Unregulated Lost Rev	1,000,000	1,000,000								

Key Activities in Source & Use Tracking

- Establish methodologies for quantifying lost revenue and incremental expenses as a result of the pandemic:
 - Lost Revenue
 - Actual vs. Budget, Actual vs. Prior Period, Actual vs. YTD Run Rate are all common and acceptable methods
 - Consider adjustments for new or discontinued service lines, year-to-date budget variances, CMI differences to budget
 - Perform analysis at the service line level to understand drivers of lost revenue
 - Expenses
 - Establish a COVID cost center in the GL, ensure capital related expenditures are being captured, assess incremental indirect and overhead costs
- Establish funding hierarchy for lost revenues and expenses based on terms and conditions and allowable costs for each funding source
- Update sources in real time, and uses on a monthly basis at the TIN level to assess over/under funding for each TIN in the system
- Assess ability to reallocate overfunding amounts across TINs within the system based on need
- Verify uses are supported by transactional level detail, and that funding sources are not duplicated across uses





Appendix

Additional Key Federal Funding Source Details

Additional key federal funding source details

Funding Source	Provider Eligibility Criteria	Eligible Expenses and Lost Revenues	Application Dates and Process
HRSA Testing and Treatment of Uninsured	<ul style="list-style-type: none"> ▪ Providers must have submitted claims for uninsured individuals in the U.S. ▪ Providers must have verified and attested that the patients do not have individual, employer-sponsored, Medicare or Medicaid coverage, and that no other payer will reimburse them for COVID-19 testing and/or treatment for that patient 	<ul style="list-style-type: none"> ▪ For dates of service or admittance on or after February 4, 2020, providers will be eligible to seek reimbursement for COVID-19 testing and testing-related visits for uninsured individuals, as well as treatment for uninsured individuals with a COVID-19 diagnosis 	<ul style="list-style-type: none"> ▪ Providers submit claims electronically using an 837 EDI transaction set for professional and facility services ▪ Claims will be submitted outside the HRSA COVID-19 Uninsured Program Portal on a rolling basis ▪ Reimbursement amount is subject to available funding
FCC Telehealth Grant	<ul style="list-style-type: none"> ▪ Post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools ▪ Community health centers or health centers providing health care to migrants ▪ Local health departments or agencies ▪ Community Mental Health Centers ▪ Non-for-profit hospitals ▪ Rural health Clinics ▪ Skilled Nursing Facilities ▪ Consortia of health care providers consisting of one or more entities falling into the first seven categories 	<ul style="list-style-type: none"> ▪ Funding will provide support to purchase or upgrade telecommunications, information services, and connected devices necessary to provide telehealth services to patients in response to the COVID-19 pandemic ▪ Reimbursable expenses must have been incurred on or after March 13, 2020 ▪ For recurring services, funding will be provided for the period March 13, 2020 through September 30, 2020 	<ul style="list-style-type: none"> ▪ FCC is no longer accepting applications as allotted \$200M in grants have been awarded

Additional key federal funding source details

Funding Source	Provider Eligibility Criteria	Eligible Expenses and Lost Revenues	Application Dates and Process
<p>Paycheck Protection Program (PPP)</p>	<ul style="list-style-type: none"> ▪ All small businesses are eligible, as well as nonprofits and tribal organizations with less than 500 employees ▪ Businesses operating from more than one physical location with less than 500 employees per location are also eligible 	<ul style="list-style-type: none"> ▪ Maximum allowable loan is \$10M ▪ Loan can be used for employee payroll, rent, utilities, and mortgage obligations 	<ul style="list-style-type: none"> ▪ Covered period beginning on February 15, 2020 and ending on June 30, 2020 ▪ Organizations can file with Small Business Administration for loan forgiveness by October 31, 2020 ▪ Borrower is required to provide a good faith certification that loan is necessary, it will be used for salary payment and loan has not been asked more than once in the covered period
<p>Employee Retention Tax Credit (ERTC)</p>	<ul style="list-style-type: none"> ▪ Employers including tax exempted organization experiencing: <ul style="list-style-type: none"> a) suspension of operation b) significant decline in gross receipts (i.e. first calendar quarter of 2020 where employer's gross receipts are less than 50% of its gross receipt compared to same calendar quarter of 2019) ▪ EMPLOYERS TAKING SMALL BUSINESS INTERRUPTION LOAN are not eligible for the ERTC 	<ul style="list-style-type: none"> ▪ Eligible employer will be allowed credit against employment taxes equal to 50% of the qualified wages for every calendar quarter ▪ Qualified wages per employee shall not exceed \$10,000 in any quarter ▪ Qualified wages = wages paid by an eligible employer to an employee who is not providing services. This includes qualified health plan expenses. 	<ul style="list-style-type: none"> ▪ Eligible employers to report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns (Form 941) ▪ Eligible employers can also request an advance of the ERTC by submitting Form 7200 ▪ Program lasts from January 1, 2020 to the earlier of (i) January 1, 2021, or (ii) the first calendar quarter in which gross receipts are 80% or greater of the gross receipts from the same calendar quarter in 2019

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Q&A



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