Federal Funding Considerations and Data Capture – Loss of Revenue, Increased Costs, and Other Matters

Wes Sternenberg, Stephen Harrell, and Sarah Dekutowski

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Topics of Discussion

• Provide a brief overview of certain programs available to healthcare providers to assist in funding related to the COVID-19 pandemic.

• Review items for consideration in accounting for the expenditures related to the funding.

• Provide resources to assist in tracking expenditures related to COVID-19.
Disclaimer

• The information presented in the following presentation is as of April 22, 2020.

• The frequency and timing of revisions to these programs is occurring at an extremely rapid pace.

• In order to obtain the most up to date information on these programs:
  • Visit https://draffin-tucker.com
  • Visit the respective administering agency’s website
  • Contact us
Overview of Certain Available Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health and Social Services Emergency Fund</td>
<td>HHS</td>
</tr>
<tr>
<td>COVID-19 Telehealth Program</td>
<td>FCC</td>
</tr>
<tr>
<td>Paycheck Protection Program</td>
<td>SBA</td>
</tr>
<tr>
<td>Economic Injury Disaster Loan</td>
<td>SBA</td>
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<tr>
<td>Main Street Lending Program</td>
<td>US Treasury/Federal Reserve</td>
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<tr>
<td>Capital Payments for Extraordinary Circumstances</td>
<td>CMS</td>
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<tr>
<td>Accelerated and Advance Medicare Payments</td>
<td>CMS</td>
</tr>
<tr>
<td>Public Assistance Program</td>
<td>FEMA</td>
</tr>
</tbody>
</table>
Funding Programs

Public Health and Social Services Emergency Fund

“$100,000,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus: Provided, That these funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.”

– CARES Act
COVID-19 Telehealth

“$200,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, domestically or internationally, including to support efforts of health care providers to address coronavirus by providing telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period.” – CARES Act
Funding Programs

Paycheck Protection Program

“the amount authorized for commitments for general business loans authorized under section 7(a) of the Small Business Act (15 U.S.C. 636(a)), including loans made under paragraph (36) of such section, as added by subsection (a), shall be $349,000,000,000” – CARES Act

Economic Injury Disaster Loan

“During the covered period, in addition to small business concerns, private nonprofit organizations, and small agricultural cooperatives, an eligible entity shall be eligible for a loan made under section 7(b)(2) of the Small Business Act…..$10,000,000,000 under the heading “Small Business Administration—Emergency EIDL Grants” shall be for carrying out section 1110 of this Act” – CARES Act
Funding Programs

Main Street Lending Program

“$454,000,000,000 and any amounts available…shall be available to make loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities...” – CARES Act

Note: The Federal Reserve has made $600 billion available for this program.
Funding Programs

Capital Payments for Extraordinary Circumstances

“A hospital may request an additional payment if the hospital incurs unanticipated capital expenditures in excess of $5 million (net of proceeds from other payment sources such as insurance, litigation decisions and other State, local or Federal government funding programs) due to extraordinary circumstances beyond the hospital’s control.” – CMS 42 CFR 412.348

Accelerated and Advance Medicare Payments

“During the emergency period described in section 1135(g)(1)(B), the Secretary shall expand the program…. Increase the amount of payment that would otherwise be made to hospitals under the program up to 100 percent (or, in the case of critical access hospitals, up to 125 percent).” – CARES Act
Funding Programs

Public Assistance Program

“For an additional amount for “Disaster Relief Fund”, $45,000,000,000, to remain available until expended” – CARES Act

Note: This funding is in addition to the existing FEMA Disaster Relief Funds
Considerations for Funding

• Certain programs have reporting and/or attestation requirements including but not limited to:
  o Public Health and Social Services Emergency Fund
    ➢ Billed Medicare in 2019
    ➢ Provides/provided care after 1/31/20 to individuals with possible or actual cases of COVID-19
    ➢ Use of funds
    ➢ Avoid certain practices
    ➢ No duplication
    ➢ Quarterly reporting
    ➢ Records and cost documentation in accordance with federal requirements
Considerations for Funding

• Reporting and/or attestation requirements (continued):
  o Paycheck Protection Program
    ➢ Use of funds
    ➢ Staffing ratios
    ➢ No duplication
  o Public Assistance Program
    ➢ Project Worksheet
    ➢ Use of funds
    ➢ Quarterly reporting
    ➢ No duplication
    ➢ Records and cost documentation in accordance with federal requirements
Considerations for Funding

• Ensure that qualified expenses or loss of revenue are not considered for more than one program.

• Funding levels may activate the single audit requirements.

• Some programs have not yet disclosed the detailed reporting requirements or potential review/audit processes.

• Some programs, such as the Public Assistance Program under FEMA, are subject to stringent and rigorous audits around the usage of the funds provided.
Considerations for Funding

• Evaluate your needs.
• Consider which programs to access, what funds to utilize, and when.
• Review conditions of participation, requirements, or other guidance.
  • Assess reporting requirements.
  • Consider stipulations on pricing transparency, procurement, etc.
  • Stay up-to-date; guidance and requirements continue to be issued daily.
• Capture various types of data.
Data Capture and Considerations

• Loss of revenue
  o How to compute?
    ➢ Based on total revenue vs. departmental revenue
    ➢ Reduce for any payments received
      • Medicare, Medicaid, private insurance, patient payments
      • Other funding due to COVID-19
        ♦ Donations
        ♦ Grants
Data Capture and Considerations

• Identifying additional costs due to COVID-19
  o Compensation
    ➢ Clinical and nonclinical
    ➢ Overtime
    ➢ Reassignment of staff to new areas
    ➢ Staff augmentation
      • Contract staffing
  o Employee benefits
    ➢ Employee assistance
    ➢ Increased health claims
    ➢ Disability
Data Capture and Considerations

• Identifying additional costs due to COVID-19 (cont.)
  o Supplies
    ➢ Personal protective equipment (PPE)
    ➢ Increased supply costs due to shortages
    ➢ Increased shipping costs due to expediting
  o Capital costs
    ➢ Renovating areas for patient care
    ➢ Relocating existing staff
      • Renovations
      • Rent
    ➢ Equipment rental
GHA has developed a tool to assist facilities in tracking costs.

File can be found at: https://www.gha.org/News/Novel-Coronavirus/Finance-Options-for-Hospitals
Tracking Funds and Expenditures

- The CDC has a tool on their website to assist in tracking funds.
- File can be found at: [https://www.cdc.gov/cpr/readiness/healthcare/disasterbudget.htm](https://www.cdc.gov/cpr/readiness/healthcare/disasterbudget.htm)

<table>
<thead>
<tr>
<th>CATASTROPH/E DISASTER PREPAREDNESS BUDGET</th>
<th>From Detailed Worksheets</th>
<th>From Cash Burn Worksheet</th>
<th>(Cash Burn from Business Interruption of X Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense Category</td>
<td>Administration</td>
<td>Inventories - Preparedness</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>300,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>76,500</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Contract services</td>
<td>355,000</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td>Education and travel</td>
<td>15,000</td>
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<td>3,000</td>
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<tr>
<td>Space costs</td>
<td>6,000</td>
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<tr>
<td>Utilities</td>
<td>4,400</td>
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<td>-</td>
</tr>
<tr>
<td>Communications</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commodities and supplies</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>350,000</td>
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<td>-</td>
</tr>
<tr>
<td>Leases and rentals</td>
<td>18,000</td>
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</tr>
<tr>
<td>Depreciation</td>
<td>12,000</td>
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<td>-</td>
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<tr>
<td>Other</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>1,123,900</td>
<td>-</td>
<td>5,500</td>
</tr>
<tr>
<td>Capital purchases</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Cash Budget</td>
<td>1,126,900</td>
<td>-</td>
<td>5,500</td>
</tr>
</tbody>
</table>

**Sources of funds:**

- General hospital revenues: 1,123,900
- Grants: 3,000
- Borrowing: -
- Insurance proceeds: -
- Other: -

**Total Sources of Funds:**

1,126,900
Funding Example

ABC Hospital has been significantly impacted by the COVID-19 pandemic and is seeking funding from numerous government programs to assist in covering losses. Below are key details about its situation:

- Loss of revenue - $2,750,000
- Eligible payroll expenditures - $3,150,000
- PPE expenditures - $300,000
- Converted overhead area to COVID-19 patient care area - $300,000
- Telehealth expenditures - $150,000
- Utility expenditures - $150,000
- Ventilator rent expenditures - $50,000
## Funding Example

<table>
<thead>
<tr>
<th>Fund</th>
<th>Funding</th>
<th>Paycheck Protection Program (PPP)</th>
<th>COVID Telehealth Program</th>
<th>Public Assistance Program (PA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health</td>
<td>1,000,000</td>
<td></td>
<td></td>
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<tr>
<td>Social Services</td>
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<tr>
<td>Emergency Fund</td>
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<tr>
<td>Paycheck Protection Program</td>
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<tr>
<td>Program (PPP)</td>
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<tr>
<td>COVID Telehealth Program</td>
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<tr>
<td>Program</td>
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<tr>
<td>Public Assistance Program</td>
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</tr>
<tr>
<td>Program (PA)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Funding</td>
<td>1,000,000</td>
<td>3,000,000</td>
<td>100,000</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

### Loss of revenue
- (1,000,000)

### Payroll
- PPP eligible: (2,850,000)
- PA eligible: (300,000)

### Supplies - PPE
- (300,000)

### Capital
- Renovations for patient care space: (300,000)
- Telehealth: (100,000) (50,000)

### Utilities
- (150,000)

### Rent
- (50,000)
Questions?

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