



2022 Update: CARES Act – Where Are We At?

HFMA WA-AK Spring Conference

March 16, 2022

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Introductions



Melaney Scott, MBA, CIA, CHC, Senior Manager, Moss Adams Health Care Consulting

Melaney.Scott@mossadams.com or (253) 284-5228

Melaney Scott has over 20 years of combined experience in all facets of GAAP accounting, finance, and auditing. She has experience auditing based on COSO, GASB, GAAS, GAGAS, and IIA standards. Specific experience includes managing the planning, preparation, and execution of risk based financial, federal (Uniform Guidance – Single Audit, regulatory compliance, HIPAA, 340B Drug Pricing Program) audit programs, covering contracting, operational, and financial related audits; leading day-to-day activities of audit teams on complex and multiple audits to ensure audit objectives are met. Her expertise includes physician compensation, policy and procedure review and development, data analytics, procurement to payment cycle, payroll, joint venture agreements, GASB 87, HIPAA and 340B Drug Pricing Program assessments and program development.



Mathew Stopa, CPA Senior Manager, Moss Adams

Mathew.Stopa@mossadams.com or (425) 303-3014

Mathew has practiced public accounting since 2010. He provides audit, review, and attest services to companies in a variety of industries including health care, benefit plans, and not-for-profit. His experience includes internal control testing, fieldwork, report preparation, and related management recommendations for cost savings and efficiency improvements.



Sarah Buhl, CPA Senior Manager, Moss Adams

Sarah.Buhl@mossadams.com or (425) 551-5758

Sarah Buhl has practiced public accounting since 2014. She provides tax solutions to health care organizations, including tax planning, consulting, and transaction planning services. Sarah works with medical groups, ancillary health organizations, hospitals, health tech, and health plans. Sarah's specialties include federal and state tax compliance, and her technical experience includes corporate transactions, ASC 740, and tax-exempt.





Agenda

- CARES Act Funding Refresher
- PRF Reporting and Funding Updates and Considerations
- Accounting and Auditing Updates and Considerations
- Tax Updates and Considerations



Words of Caution

Information Provided – based on the information we have to date and is subject to change based on subsequent guidance

Deadlines – important to keep the deadlines on the radar, including any potential extensions

Communication – develop a mechanism to stay current with the various FAQs and reporting guidance released by HHS

Documentation – ensure you have appropriate documentation in place





CARES Act Refresher



Common CARES Act Funding

Provider Relief Fund (PRF)

- Three phases of General Distribution and various Targeted Distributions already paid
- Recently: Phase 4 General and ARP Rural Distributions

HRSA Uninsured / Underinsured Program

SBA Paycheck Protection Program (PPP)

Federal Emergency Management Association (FEMA) Public Assistance

Employee Retention Tax Credit (ERTC)





PRF Updates and Considerations



Period 1 Reporting Recap

Extended deadline to report on Period 1 ended November 30, 2021

Return funds if:

- **Did not report by deadline**
- **Had unutilized funds after reporting**

If didn't report, will affect future PRF distributions





PRF Phase 4 General Distribution and ARP Rural - Information

Phase 4

- Distributions on beginning December 16, 2021 and continuing in February 2022

American Rescue Plan Act 2021 (ARP) Rural

- Began distributions on November 23, 2021





PRF Phase 4 General Distribution - Considerations

Phase 4 Terms and Conditions – new elements

- If the Recipient's Phase 4 payment(s) exceeds \$10,000, the Recipient agrees to notify HHS of a merger with or acquisition of any other healthcare provider during the Payment Received Period within the Reporting Time Period (as defined in the PRF Post Payment Notice of Reporting Requirements). Providers who report a merger/acquisition may be more likely to be audited, consistent with an overall risk-based audit strategy.
- The Recipient must maintain advance payments of Federal awards in interest-bearing accounts, unless it meets the exceptions as described in 45 CFR § 75.305(b)(8).





PRF ARP Rural - Considerations

ARP Rural Terms and Conditions – new elements

- The Recipient certifies that it provides or has provided services to Medicare, Medicaid and/or Children’s Health Insurance Program (CHIP) beneficiaries who are residents of rural areas, as defined by as defined by HRSA’s Federal Office of Rural Health Policy (<https://www.hrsa.gov/rural-health/about-us/definition/index.html>); this includes Medicaid and CHIP managed care arrangements.
- 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.
- Merger language as noted in Phase 4
- The Recipient must maintain advance payments of Federal awards in interest-bearing accounts, unless it meets the exceptions as described in 45 CFR § 75.305(b)(7) through 75.305(b)(8)





Key Terms and Conditions

Requirement

The Secretary has concluded that the COVID-19 public health emergency has caused many healthcare providers to have capacity constraints.

As a result, patients that would ordinarily be able to choose to receive all care from in-network healthcare providers may no longer be able to receive such care in-network.

Accordingly, **for all care for a presumptive or actual case of COVID-19, Recipient certifies that it will not seek to collect from the patient 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 Recipient.**





Balanced Billing Considerations

- Presumptive or actual case of COVID – presumptive is not the same as possible.
- Updated policies and procedures?
- Monitoring in effect?





Strategies to Manage Balanced Billing Risk

- If have not yet, implement a process now to avoid balanced billing and document process through job aids, etc.
- Use data analytics to identify possible prior balanced billings and determine steps to remediate and any possible self-reporting needed
- Implement a monitoring process to detect future balanced billings





Terms and Conditions

Compliance

Non-compliance with any Term or Condition is grounds for the Secretary to seek repayment of some or all of the payments made.

The Recipient acknowledges that any deliberate omission, misrepresentation, or falsification of any information contained in this Payment application or future reports may be punishable by criminal, civil, or administrative penalties [...].





PRF Period 2 Considerations

Period 2 portal opened January 1, 2022

Table 1: Deadlines for Use of Funds

	Payment Received Period	Deadline to Use Funds
Period 1	April 10, 2020 to June 30, 2020	June 30, 2021
Period 2	July 1, 2020 to December 31, 2020	December 31, 2021
Period 3	January 1, 2021 to June 30, 2021	June 30, 2022
Period 4	July 1, 2021 to December 31, 2021	December 31, 2022

Portal currently open until March 31, 2022 at 11:59 PM EST for reporting





PRF Period 2 Considerations – 1st Time Reporters

If was not required report during Period 1 – where to begin?

- Register in portal: <https://prfreporting.hrsa.gov/s/>
- Reporting Worksheet:
https://prfreporting.hrsa.gov/HRSA_FileRender?name=PortalWorksheets
- HRSA Technical Assistance Webinar:
https://webex.webcasts.com/starthere.jsp?ei=1519558&tp_key=8ec86d4a36
- Post-Payment Notice of Reporting Requirements:
<https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/provider-post-payment-notice-of-reporting-requirements-june-2021.pdf>
- FAQs: <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/provider-relief-fund-faq-complete.pdf>





PRF Period 2 Considerations – Repeat Reporters

- HRSA Technical Assistance Webinar:
https://webex.webcasts.com/starthere.jsp?ei=1519562&tp_key=1c0aa8e66a
- Watch for portal screens that pre-populate versus blank
- Nursing Home Infection Control (NHIC) payments





Reporting Period 2 Nuances

- Portal will auto-populate previously entered data in certain fields.
- Users can change the contact information.
- It is reporter's responsibility to prevent duplication of reported expenses.
- Returning reporters may change the methodology for calculating lost revenues.





Special Considerations

- Rural Health Clinic Distribution
 - Portal Link: <https://www.rhccovidreporting.com/are-you-registered/>
 - FAQs: <https://www.rhccovidreporting.com/faq/>
 - Terms and Conditions: <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/terms-and-conditions-rural-testing-relief-fund.pdf>
- HRSA's COVID-19 Claims Reimbursement
 - <https://coviduninsuredclaim.linkhealth.com/>
- HRSA's COVID-19 Coverage Assistance Fund
 - <https://www.hrsa.gov/covid19-coverage-assistance/>





Nursing Home Infection Control Distributions

NHIC payments **limited allowable expenses / expenditures**

- Administering COVID-19 testing
- Reporting COVID-19 test results to governments
- Hiring staff to provide patient care or administrative support
- Providing additional services to residents
- Other expenses incurred to improve infection control

Lost Revenues are **not applicable** to NHIC payments.

The **interest earned on NHIC payments is reported separately** from interest earned on other PRF payments.





Reporting Tips

Other Assistance Received is included in the portal for information purposes. Expenses reported must be net of reimbursement from other sources.

RHC Testing Distribution should pre-populate in Other Assistance Received. Notice if you are missing these distributions. Continue monthly reporting.

Nursing Home Infection Control Distribution (NHIC) (various dates, starting 8/27/20) is distinct from SNF Distribution (a Targeted Distribution on 5/22/20). Lost revenues cannot be used for the NHIC distribution.





PRF Reporting Resources

Key Links

- **Reporting Requirements and Auditing Main Page:** <https://www.hrsa.gov/provider-relief/reporting-auditing>
- **PRF Reporting Portal:** <https://prfreporting.hrsa.gov/s/>
- **PRF Registration User Guide:** historically accessible from the PRF Reporting Portal
- **PRF Reporting User Guide:** historically accessible from PRF Reporting Portal
- **PRF Portal FAQs:** <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/provider-relief-fund-faq-complete.pdf>
- **Post-Payment Notice of Reporting Requirements:** <https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/provider-post-payment-notice-of-reporting-requirements-june-2021.pdf>
- **Main Resources Page:** <https://www.hrsa.gov/provider-relief/reporting-auditing/reporting-resources>



Strategies to Manage Reporting Risk

- **Develop an analysis of expenditures and lost revenue, including other reimbursed sources**
 - Create a “COVID-19 Master Tracker”
- **Download a copy (screen-shot) of the guidance you’re using to base methodologies and assumptions on, because it can change without notice**
- **Standard accounting best practices** - documentation is key!
 - Receipts, management decisions, Board & Committee meeting minutes
- **HRSA Published Resources**
 - Monitor frequently for new / updated items
 - Main Landing Webpage: <https://www.hrsa.gov/provider-relief/reporting-auditing>



Strategies to Manage Balanced Billing Risk

- **If have not yet, implement a process now to avoid balanced billing and document process through job aids, etc.**
- **Use data analytics to identify possible prior balanced billings and determine steps to remediate and any possible self-reporting needed**
- **Implement a monitoring process to detect future balanced billings**





Auditing Updates and Considerations



Accounting Considerations

FASB NFP Health Care Reporting Entities:

FASB ASC 958-605, Not-for-Profit Entities – Revenue Recognition

AICPA Technical Questions & Answers Section 6400 .64 - .67

- Generally, recognize as contribution revenue with donor restrictions when conditions are met.
- Consider “simultaneous release” accounting policy option.

GASB Health Care Reporting Entities:

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions

GASB Technical Bulletin 2020-01, Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases

- Generally, recognize nonoperating revenue as eligibility criteria are met



Audit Considerations

Not-for-profits:

PRF applicable for FYEs 6/30/21 or after

Expenditures of \$750,000 or greater subject to Single Audit

Commercial Entities:

Are Provider Relief Fund payments to commercial (for-profit) organizations subject to Single Audit in conformance with the requirements under 45 CFR 75 Subpart F? (Modified 6/11/2021)

Commercial organizations that expend \$750,000 or more in annual awards have two options under 45 CFR 75.216(d) and 75.501(i):

- 1) a financial related audit of the award or awards conducted in accordance with Generally Accepted Government Auditing Standards; or
- 2) an audit in conformance with the requirements of 45 CFR 75.514 (Single Audit). Provider Relief Fund General and Targeted Distribution payments (93.498) and Uninsured Testing, Treatment, and Vaccine Administration reimbursement payments (93.461) must be included in determining whether an audit in accordance with 45 CFR Subpart F is required (i.e., annual total awards expended are \$750,000 or more).

Audit reports of commercial organizations must be submitted via email to HRSA's Division of Financial Integrity at PRFaudits@hrsa.gov.





Audit Considerations - Single and Program-Specific audits

Guidance in 2021 Compliance Supplement

Assistance Listing number – 93.498

SEFA Reporting – follows deadlines for spending of funds

6/30/21 to
12/30/21

- Total expenditures and lost revenues from Period 1 reporting

12/31/21 to
6/29/22

- Total expenditures and lost revenues from Period 1 **AND** Period 2 reporting

6/30/22 or after

- To be addressed in the 2022 Compliance Supplement



Audit Considerations - Portal

Single Audit Information

Audit Requirement (45 CFR 75 Subpart F): A recipient that expends \$750,000 or more during the entity's fiscal year must have a Single Audit or a financial related audit (Commercial Organizations only). Please use the table below if you are subject to an audit in accordance with 45 CFR 75.501 and indicate whether PRF payments were included in the audit.

Fiscal Year	Subjected to Audit (45 CFR 75 Subpart F)	Were PRF payments included in this audit?
2019	<input type="checkbox"/>	<input type="checkbox"/>
2020	<input type="checkbox"/>	<input type="checkbox"/>
2021	<input type="checkbox"/>	<input type="checkbox"/>

Previous

Save & Exit

Save & Next

Two parts to consider:

- 1) Were single audits conducted for any of the fiscal years noted above?
 - Check box only for applicable years, if any.
- 2) Were PRF payments included in those audits?
 - Per HHS, 2019 and 2020 single audits SHOULD NOT have included PRF and those boxes should not be checked.





Audit Considerations

Areas of Testing

Allowable costs/Activities (General, Targeted Distributions, and Skilled Nursing Infection Control Distributions)

- Expense must be used to prevent, prepare for, and respond to coronavirus
- Not reimbursed from other sources and other sources were not obligated to reimburse them
- Specific allowable expenses identified for Skilled Nursing Infection Control Distributions





Audit Considerations

Areas of Testing

PRF Reporting – Key line items

- Total Nursing Home Infection Control Expenses
- Total Other Provider Relief fund Expenses
- Total revenues reported (Depending on option selected)
 - Totals for Actuals by quarter
 - Totals for budgeted amounts by quarter
 - All individual cells in the alternative method
 - Inputs will be audited back to narrative and other underlying supporting documentation





Audit Considerations

Areas of Testing

Out-of-Network Patient Out-of-Pocket Expenses – for patients with a presumptive or actual case of COVID-19

- Review of billing and collection policies and procedures
- Testing of out-of-network patients to determine whether patient was assessed out-of-pocket charge for services and if the charge was in compliance with terms and conditions





Compliance Testing for PRF – For-Profit

Guidance is still pending, but very recent update via GAQC presentation on January 20, 2022

- Auditing For-Profit Entities Receiving Provider Relief Funds and Other HHS Awards
- Information provided on compliance testing options
- Examples provided and perspective shared
- Expecting a practice aid to be issued within couple of weeks

Webcast link: <https://www.aicpa.org/resources/video/auditing-for-profit-entities-receiving-prf-funds-and-other-hhs-awards>



HHS Audit Options for For-Profit

	GAGAS Financial Audit (45 CFR Section 75.216)	Single Audit (2 CFR 200/45 CFR Section 75)	Program-Specific Audit (2 CFR 200/45 CFR Section 75)
Criteria for Each Option	Entity has awards under only one or multiple HHS programs	Entity has awards under only one or multiple HHS programs	Entity has awards under only one HHS program
Audit of Entity's Financial Statements	Not required	Required (performed under GAGAS)	Not required
Presentation of HHS Schedule	Schedule of specific element of a financial statement	Schedule of expenditures of federal awards (SEFA)	Schedule of specific element of a financial statement
Auditor Reporting on the Schedule	Opinion on the schedule under AU-C 805	In addition to the opinion on the financial statements, an in-relation-to opinion on the SEFA under AU-C 725	Opinion on the schedule under AU-C 805
GAGAS Reporting on Internal Control over Financial Reporting and Compliance and Other Matters	Required (as it relates to the schedule under AU-C 805)	Required (as it relates to the financial statements as a whole)	See chapter 14 of the GAS-SA Guide
Auditor Opinion on Compliance and Reporting on Internal Control Over Compliance	Not required	Required	Required



Example of Schedule for GAGAS Financial Audit

Provider			
<i>Schedule of [insert caption describing account used by the recipient in the financial statements, such as revenue, other revenue, grant income, etc.] of U.S. Department of Health and Human Services (HHS) Awards</i>			
For the HHS Provider Relief Fund Periods of Availability which ended in the year ended December 31, 2021, and for other HHS Awards for the year ended December 31, 2021			
<u>Federal Department/Program Title/Grant Name</u>	<u>Assistance Listing Number</u>	<u>Amounts recognized in accordance with GAAP for the Year ended December 31, 2020</u>	<u>Amounts recognized in accordance with GAAP for the Year ended December 31, 2021</u>
Department of Health and Human Services			
Health Resources and Services Administration			
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Period 1	93.498	\$ 1,000,000	\$ -
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Period 2	93.498	1,000,000	300,000
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund Testing for the Uninsured	93.461	N/A	130,000
Total Department of Health and Human Services		<u>\$ 2,000,000</u>	<u>\$ 430,000</u>

See notes to Schedule of *[insert caption describing account used by the recipient in the financial statements, such as revenue, other revenue, grant income, etc.]* of U.S. Department of Health and Human Services (HHS) Awards.





Compliance Audit Reporting Deadline

Due date of the audits (for all entities and all for-profit options):

- Standard requirement is the earlier of 30 days after the issuance of the compliance audit report or 9 months after the fiscal year end.
 - An entity with a December 31, 2021 year-end has a due date no later than September 30, 2022
- For year ends of June 30, 2021 or earlier, a six-month extension is in effect
 - An entity with a June 30, 2021 year-end has a due date no later than September 30, 2022





Tax Updates and Considerations



CARES Act Tax Update

Challenges with the CARES Act and tax opportunities

- Grant Programs
- Payroll Tax Relief
- Other Tax Matters
- Current Tax Reform Efforts





Grant (and Loan) Programs

Provider Relief Funds (PRF)

- For-profit accrual-basis and not-for-profit taxpayers treat PRF as revenue in accordance with their financial statement reporting.
- For-profit cash-basis taxpayers treat PRF as revenue subject to Federal income tax in the tax year the cash is received.
- State and local business tax implications may vary.

Payroll Protection Program (PPP) – state and local business tax implications may vary from the Federal income tax treatment.

<https://dor.wa.gov/forms-publications/publications-subject/tax-topics/emergency-financial-assistance-grants>





Payroll Tax Relief

Employee Retention Tax Credits (ERTC)

- The ERTC is a significant cash-flow opportunity for not-for-profit and for-profit health care employers.
- Eligible employers may generate a tax credit used to offset their employment taxes and apply for a refund for any excess credit generated.
- Claim the credit retroactively with Form 941-X within the statute of limitations for amending payroll tax returns.

Payroll tax deferrals - employers can defer payment of certain 2020 payroll taxes until 2021 and 2022, and the first payment was due December 31, 2021.





Other Tax Matters

Schedule H Reporting - Consider what COVID-19 expenses might be included within reporting categories as community benefit costs. Be mindful that certain Provider Relief Funds, PPP funds, or FEMA funds may be includible as direct offsetting revenue.

Net operating loss carryback claims - potential opportunity to carryback losses from 2018 - 2020 to offset taxable income in a prior year at the 35% corporate tax rate

Method changes or amended returns - retroactive write off of leasehold improvements placed in service in 2018 or 2019

IRS audits, assessments, refunds - delays in procedures and processing





Current Tax Reform Efforts

What's Next?

Infrastructure Investment and Jobs Act passed in November 2021 had very limited tax provisions.

US House passed the Build Back Better Act with significant tax proposals in November 2021, and it has lost traction in Congress. Tax reform was a major component of the Biden administration's election campaign.

Phase-outs and expiring tax provisions may incentivize Congress to act on tax reform in the next one to three years.

States are moving forward with tax reform.





CARES Act Tax Update

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Wrapping Up





Key Take-Aways

- Watch for updated guidance / resources
- Maintain records to defend / support amounts reported
- PRF subject to audit at any time



Thank you!



QUESTIONS?

Melaney Scott

Melaney.Scott@mossadams.com

253-284-5228

Mathew Stopa

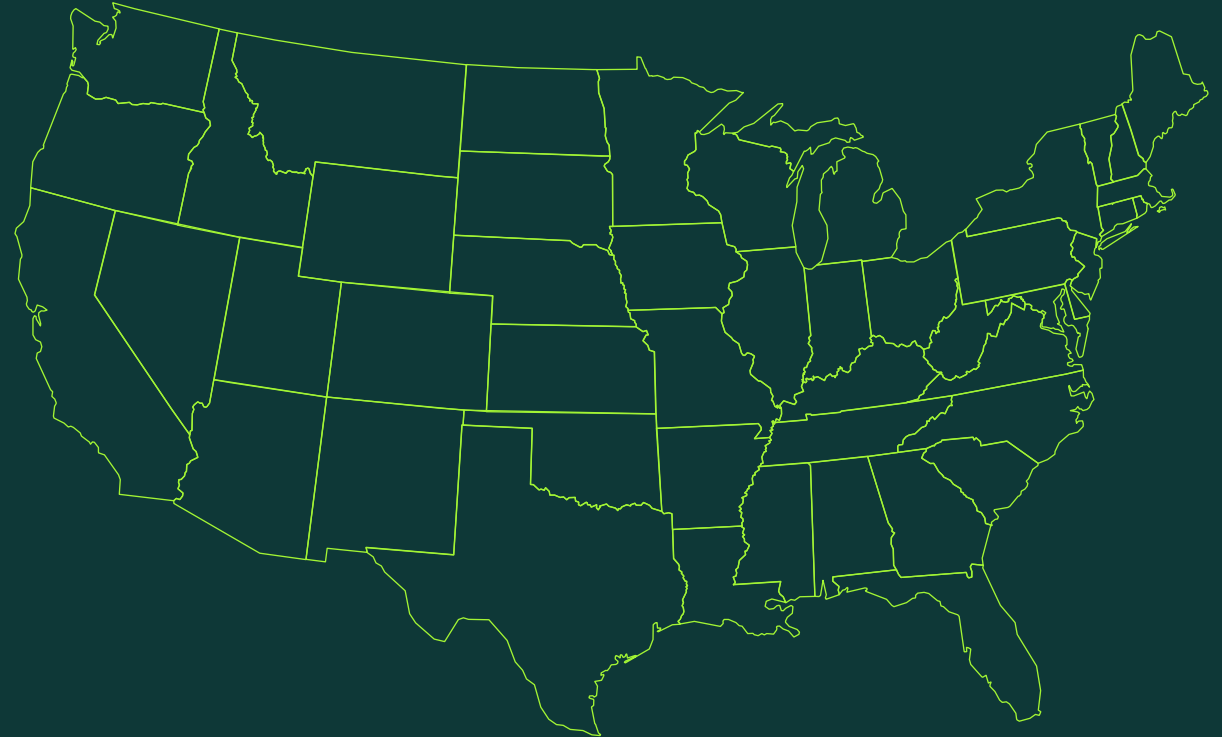
Mathew.Stopa@mossadams.com

(425) 303-3014

Sarah Buhl

Sarah.Buhl@mossadams.com

(425) 551-5758



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