



National Association for Home Care & Hospice  
**CARES Act Emergency Funds:**  
**How to Achieve Accountability and Compliance – Part II**  
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1

## CARES Act Provider Relief Fund

- **\$175 Billion**
  - Intended to provide relief for COVID-19 related costs and lost revenues
- **Two distributions so far**
  - \$30B to Medicare providers on 4/10 and 4/17
  - \$20B to Medicare providers starting on 4/25 with rolling weekly distributions
- **Further distributions in development**
- <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>

## CARES Act Provider Relief Fund

- **\$30B General Allocation**
  - Medicare providers only
  - Based on 2019 Medicare fee for service claims data
  - \$484B total FFS spending in 2019
  - Distribution formula:  $\text{Provider FFS 2019 revenues} / \$484\text{B} \times \$30\text{B}$ 
    - Approximately 6.2% of 2019 Medicare FFS revenues
  - Automatic through EFT deposit or paper check
  - Terms and Conditions + Attestation

## CARES Act Provider Relief Fund

- **\$20B General Allocation**
  - Medicare providers only
  - Based on 2018 overall net patient revenue of all payers
  - \$2.5 Trillion in overall spending in 2018
  - Distribution formula:  $\text{Provider Net Patient Revenue 2018} / \$2.5\text{T} \times \$50\text{B}$ 
    - Approximately 2% of 2018 Net Patient Revenues
  - Use of Medicare cost report data or direct data submission to HHS where no cost report
  - Automatic through EFT deposit or paper check
  - Terms and Conditions + Attestation

**Prime question: Is there a reconciliation between the Distribution 1 formula and the Distribution 2 formula?**

- Answer: NO!
- HHS to just issued an FAQ
- *What should a provider do if a General Distribution payment is greater than expected or received in error? (Added 5/6/2020)*
- Providers that have been allocated a payment must sign an attestation confirming receipt of the funds and agree to the Terms and Conditions within 30 days of payment. Generally, **if a provider does not have or anticipate having COVID-related lost revenues or increased expenses equal to or in excess of the relief payments received**, they should return the funds. If a provider believes it was overpaid or may have received a payment in error, it should reject the entire General Distribution payment and submit the appropriate revenue documents through the General Distribution portal to facilitate HHS determining their correct payment. If a provider believes they are underpaid, they should accept the payment and submit their revenues in the provider portal to determine their correct payment.
- *Does HHS intend to recoup any payments made to providers not tied to specific claims for reimbursement, such as the General Distribution payments? (Added 5/6/2020)*
- The Provider Relief Fund and the Terms and Conditions require that recipients be able to demonstrate that lost revenues and increased expenses attributable to COVID-19, excluding expenses and losses that have been reimbursed from other sources or that other sources are obligated to reimburse, do not exceed total payments from the Relief Fund. Generally, **HHS does not intend to recoup funds as long as a provider's lost revenue and increased expenses exceed the amount of Provider Relief funding a provider has received**. HHS reserves the right to audit Relief Fund recipients in the future to ensure that this requirement is met and collect any Relief Fund amounts that were made in error or exceed lost revenue or increased expenses due to COVID-19. Failure to comply with other Terms and Conditions may also be grounds for recoupment.
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- **HHS extended the attestation deadline to 45 days**
- **“overpayment” reference relates to revenue input and calculation errors**
- **Providers still accountable for documenting and reporting use of funds; ultimately if funds not fully used for allowable purposes, return of remainder is expected**

# CARES Act Provider Relief Fund

- Targeted Distributions Underway (to an extent)
  - “High Impact” areas--\$10B
    - Hospital data development ongoing
  - Medicaid-- \$ ????
  - HHS requested states supply provider-level data
- Targeted Distributions Planned
  - Rural Health
    - Health Clinics and hospitals
  - Indian Health--\$400M
  - Treatment of uninsured COVID-19 patients
    - “portion” to be distributed
    - Register by 4/27
    - Claim submitted in “early May”

## Sample Calculations

### Emergency Funds - Initial \$30B Distribution

Total 2019 Medicare Payments - Sample Provider	\$ 5,526,383
Divided by: Total 2019 Medicare Payments - All Providers	484,000,000,000
Times: Total Round 1 Emergency Funds - All Providers	30,000,000,000
Total Round 1 Emergency Funds - Sample Provider	\$ 342,544

6.2%

6.2%

# Sample Calculations

## Emergency Funds - Second \$20B Distribution

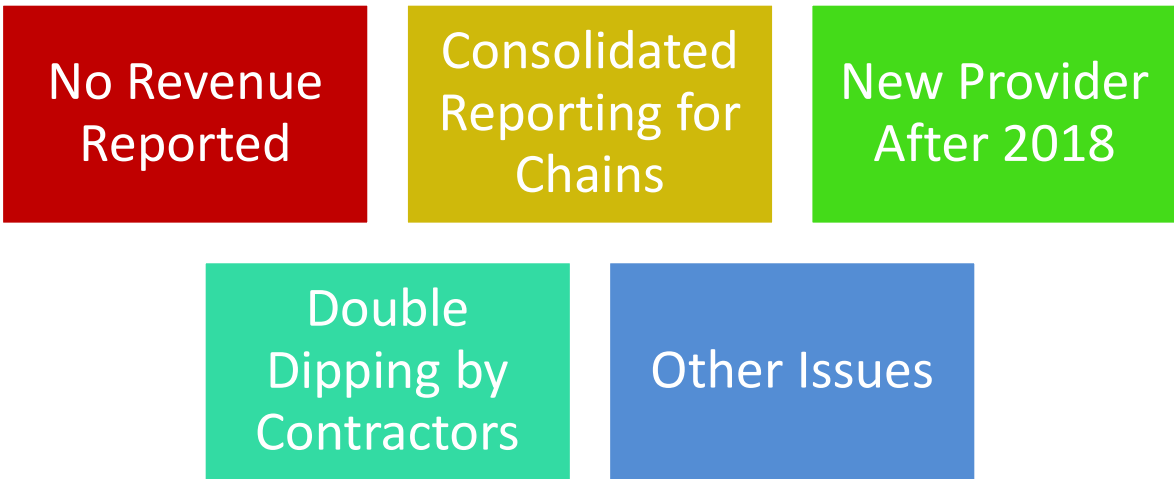
Total Round 1 Emergency Funds - Sample Provider	\$ 342,544
Total 2018 Net Patient Service Revenue (NPSR)	\$ 9,862,340
Divided by: Total 2018 NPSR - All Providers	2,500,000,000,000
Times: Total Round 1 & 2 Emergency Funds - All Providers	50,000,000,000
Total Round 1 and 2 Emergency Funds - Sample Provider	\$ 197,247
Round 2 Emergency Funds Distribution - Sample Provider	\$ -

2.0%

2.0%

**Per HHS, No Take Backs**

# Emergency Funds – NPSR Issues



# Accounting for Emergency Funds

## Exchange Transaction

or

## Non-Exchange Transaction

## Treat as a Contribution?

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# Accounting for Emergency Funds

### For-Profit Entities

- Follow existing accounting policies or establish new accounting policies
- IAS 20 or ASC 958-605, and possibly ASC 606 or ASC 450
- Do not report in patient care revenue, likely treat as contribution revenue or cost offset
- Consider using deferred revenue and release as obligations met

### Not-For-Profit Entities

- ASC 958-605
- If conditions are deemed present, release from liability as conditions met
- Consider treatment for net assets without donor restriction and with donor restrictions

### Governmental Entities

- GASB 33
- Most likely include in nonoperating revenue

Caution:  
Stay  
Tuned!

HOME  
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HOSPICE  
COVID-19

## Accounting for Relief Funds – Journal Entries

- Recommended
  - Set up advanced tracking methods, or
  - Set up new GL accounts to Capture Cash Receipts and Expenditures
  - Create Additional Accounts to Chart of Accounts for COVID-19/CARES
    - Balance Sheet
    - Income Statement
- Record Receipt of Cash – Balance Sheet
  - Debit – Cash or Designated Cash Account
  - Credit – Deferred Account
- Expenditures
  - Debit – COVID-19 Expense Description
  - Credit – Accounts Payables/Cash

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## Accounting for Relief Funds – Journal Entries

- Revenues Recognition for Expenses Incurred/Identified
  - Debit – Deferred Account
  - Credit – COVID-19 or CARES Act Revenues
- Revenue Recognition If Maintaining Spreadsheets on Expenses
  - Debit – Deferred Account
  - Credit – COVID-19 or CARES Act Revenue (Contribution Revenue)
- Unexpended Monies
  - Debit – Deferred Account
  - Credit – Due to Medicare – COVID-19 or CARES Act

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## Loss of Revenue

- Any statistical data related to revenue decline
- Significant change in Gross Margin
- Volume declines
  - Referrals
  - NTUCS
  - Patients Declining Visits
  - Hospice – SIA
  - Home Health LUPA Increase
- Billing Challenges – Potential Write-offs
  - Face to Face, Orders, Physician Office Operations, Authorization

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## Allowable Costs

- Any cost incurred with activity associated with COVID-19
- Examples:
  - Increase in PPE
  - Costs for testing and screening
  - Increase in hardware and / or software costs
  - Labor costs

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## How to Operationalize

- Establish revenue and expense codes for COVID-19 in general ledger.
  - Staff cost associated with COVID (Time, Visits, Overtime)
  - Vendor costs
    - PPE Invoices
    - Sanitation supplies and equipment
    - Telehealth application and devices
    - Vendor/Contract Staff
- Include codes in EMR to track COVID losses:
  - COVID patients
  - NTUC
  - Refused Visits
  - Non-Billable Telehealth encounters
  - Uninsured

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## Dignity Health + Catholic Health Initiatives = CommonSpirit Health

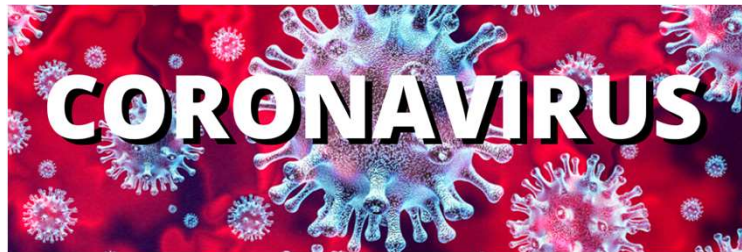
- Merger effective February 1, 2019
- Corporate Accounting guidance all providers
- Unique COVID-19 expense capture through cost center and activity codes
- Employee labor through payroll systems
- Expense capture supplemented through Excel spreadsheets, submitted to accounting
- GL systems allow expense reporting based upon codes used, monthly and YTD, by provider, hospital, region, entity, etc.
- System planning on using outside assistance on revenue effects

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18

# Q & A

## NAHC COVID-19 Information and Resources



[nahc.org/covid19](https://nahc.org/covid19)  
[nahc.org/covid19faqs](https://nahc.org/covid19faqs)

# Upcoming Events

**COVID-19 Virtual Town Halls**  
Wednesday, May 13, 2020

**2020 Financial Management  
Conference & Expo**  
July 26-28, 2020  
Las Vegas, NV

**2020 Home Care and Hospice  
Conference and Expo**  
October 18-20, 2020  
Tampa, FL

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