



HFMA Accounting Update

March 18, 2021



Agenda

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Agenda topics
Timeline Recap
Provider Relief Funds
Rural Hospital Stabilization Program
Additional Single Audit Observations

A Timeline of the Key Events

- **March 2020:** CARES Act approved by Congress
- **April 2020:** First funds received
- **April - June:** First set of FAQs issued, including reference to lost revenue model
- **9/18/20:** Reporting requirements updated to require lost operating margin model
- **10/22/20:** Reporting requirements updated to revert to lost revenue model
- **12/27/20:** Consolidated Appropriations Act, 2021(CAA) was signed into law, allowing targeted fund reallocations and confirming lost revenue model
- **1/15/21:** HHS Reporting site opens for registration
- **1/15/21:** HHS releases “Post-Payment Notice of Reporting Requirements” for PRF
- **1/29/21:** HHS releases significant updates to FAQs for PRF
- **??/??/??:** Due date for HHS reporting
- **6/30/21:** Extended single audit reporting deadline for 6/30/20 year ends, assuming receipt of any CARES Act funds
- **9/30/21:** Extended Single Audit reporting deadline for 9/30/20 year ends, assuming receipt of any CARES Act funds
- **9/30/21:** Single Audit reporting deadline for 12/31/20 year ends (no extensions)



Hot topic: Provider Relief Funds

Healthcare entities accounting for government aid

Recent Updates – Provider Relief Funds

Guidance, which now considers impact of CAA and related administrative rulemaking, is posted at the HHS website:

<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/faqs/index.html>

<https://www.hhs.gov/sites/default/files/provider-post-payment-notice-of-reporting-requirements-january-2021.pdf>

Revised guidance has included the following:

- Application process for Phase 3 funds
- Reversion to “lost revenue” mode; 3 possible methods calculating “lost revenue.”
- Reconfirms that use of funds may occur through 6/30/21, compared against 2019 actuals or 2020 budget
- Further clarification of types of expenses that qualify for reimbursement
- Targeted funds may be transferred among consolidated entities, subject to increased risk of HRSA audit; General fund transfers also continued to be permitted
- Interest earned on unspent PRF balances subject to reporting
- Definitions to qualify under Phase 3, including true-up to 2% of revenue and 88% of reported losses in first half of 2020

3 Methods of Recognition – Provider Relief Funds

After completing calculation of eligibility for expenses not reimbursed by other sources, an entity then considers ability to qualify under “lost revenue” model using one of 3 methods:

1. Difference between 2019 and 2020 actual patient care revenue
2. Difference between 2020 budgeted and 2020 actual patient care revenue
 - a) Budget must have been established and approved prior to March 27, 2020
3. Any reasonable method of estimating revenue
 - a. HHS has indicated that this methodology increases likelihood of audit under HRSA
 - b. Unresolved question: Are non-calendar fiscal year entities more likely to fall into this bucket?

All 3 methods are applied to a measurement period of 2020 as an entire calendar year.

Accounting & Regulatory Considerations - Reminders

- Fund represent non-exchange transactions under ASC 958-605 (contribution accounting model)
 - Consider whether relevant conditions have been met
 - Entities may analogize to ASC 606 guidance about probable revenue reversals to identify conditions that may not yet be met.
- Other operating revenue classification for FASB entities; other non-operating revenue classification for GASB entities
- Salary cap of \$197k on reimbursement of COVID salary costs
- Expense recoverables cannot be for costs already reimbursed by FEMA
- Interest on unspent funds, if any, should be tracked and returned



Hot topic: Medicare Advances

Medicare Advance and Accelerated Payment Program (APP)

- \$106B in advances won't begin recovery until 1 year from funding date
- Recoupment will be 25% of reimbursement for first 11 months, followed by 50% for next 6 months, followed by repayment of the remaining balance in full at 29 months
- Consideration of long-term vs. short-term presentation



Hot topic: Rural Health Stabilization Grant

Rural Health Stabilization Grant

- Funding received from the Oregon Business Development Department (OBDD), as a pass through from the U.S. Treasury
- Facilities are sub-recipient under CFDA number 21.019 – subject to Single Audit
- Recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.
 - Impact of this requirement on Critical Access Hospitals who may receive patient care payments on a reimbursement basis
 - Consider guidance from legal counsel and cost report specialists

Link to guidance from US Treasury:

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>



Hot topic: Single Audit Updates

Single Audit Considerations - Timing

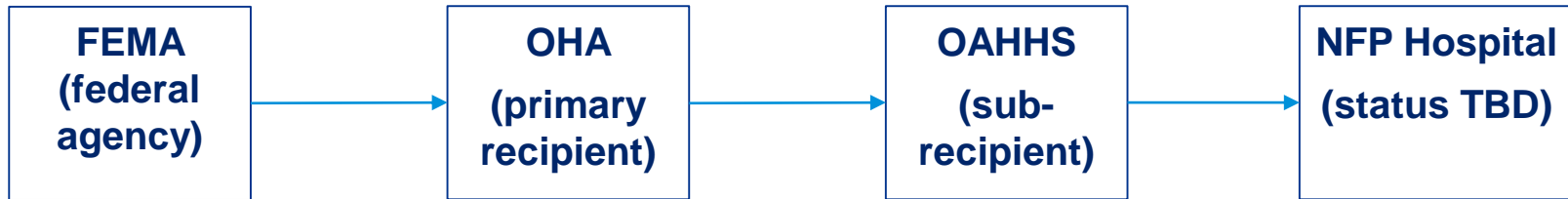
- Extensions were granted for 6/30/20 and 9/30/20 year ends if entity received CARES Act Funds
 - If CARES Funds are not reported on SEFA, footnote disclosure of such funds will evidence that this criteria is met.
 - No extensions apply to 12/31/20 year ends
- Non-federal entities that received donated PPE should provide the fair market value of the PPE at the time of receipt as a stand-alone footnote accompanying their SEFA. Footnote may be marked unaudited
- Provider Relief Funds under either revenue or expense models are not reported until the end of the first measurement period (December 31, 2020)
 - As a result, 6/30/20 and 9/30/20 SEFAs may not include any PRFs
 - SEFA reporting timing may differ from GAAP revenue recognition timing
- Impact of new programs on overall scoping of Major Programs
 - Other Type A programs that were audited in prior 2 years may become non-major based on risk assessment and total coverage of SEFA

Single Audit Considerations - Other

- **Guidance in Compliance Supplement Addendum was released prior to adoption of CAA**
- **Guidance does not apply to 6/30/21 year ends**
- **Key Compliance Areas (93.498 – Provider Relief Funds)**
 - A/B – Activities Allowed and Allowable Costs
 - This requirement will cover lost revenue calculations
 - L – Reporting
 - “2/15/21” HHS report is relevant for 12/31/20 audit
- **Key Compliance Areas (21.019 – Coronavirus Relief Funds)**
 - A/B – Activities Allowed and Allowable Costs
 - Recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.
 - H – Period of Performance
 - L – Reporting
 - As hospitals will likely be pass-through recipients, reporting requirements would be set by the prime recipient (e.g. the State of Oregon)

Single Audit Considerations – FEMA Funds

FEMA funding path:



Other Considerations:

- Other sources of reimbursement
- Contractor vs. subrecipient status
- Timing of recognition on SEFA



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