



INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE &amp; INNOVATION

# ACCESSING FINANCIAL RELIEF DURING THE COVID-19 PANDEMIC

## Available Funds for Healthcare Organizations

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The severity of the coronavirus pandemic in the United States has perhaps never been more apparent. More than a month after the National Emergency Declaration, businesses across the country are facing the financial impact, as communities at-large grapple with the human tragedies associated with the virus.

COVID-19 will further exacerbate an already challenging financial outlook for healthcare organizations. As the situation evolves, physician practices will feel intense pressure to identify ways to protect reimbursement levels and margins. The federal government has established various options to help healthcare providers offset the financial impact of COVID-19, including funds available through the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Families First Coronavirus Response Act. The CARES Act provides \$100 billion in funding for the U.S. Department of Health & Human Services (HHS) to provide grants to healthcare providers enrolled in Medicare and Medicaid, including physician practices. These funds are meant to cover unreimbursed healthcare-related expenses or lost revenues attributable to COVID-19. Additional funding is also available

through the Paycheck Protection Program (PPP) and Health Care Enhancement Act, also known as the "COVID-19 3.5" relief package, passed on April 22.

In particular, the healthcare system has been squeezed at both ends. Many hospitals are experiencing a patient surge, while others, including physician practices and outpatient facilities, have been forced to furlough staff due to paused or canceled procedures classified as non-urgent. As healthcare organizations look to heal from COVID-19 financially and prepare to reestablish full patient care services, understanding the emergency relief funding available will be critical.

With the COVID-19 situation continually evolving and possible new funding mechanisms becoming available, it is vital that healthcare providers stay up to date on the rapidly changing regulations and ways to obtain all funding relevant to their organization. With these funds come numerous terms and conditions that healthcare organizations must follow to avoid repayment after audits regarding the use of such funds.

# How to Receive Financial Relief for COVID-19



Healthcare organizations can benefit from the following key relief packages:

## Federal Emergency Management Agency (FEMA) Public Assistance

### WHO'S ELIGIBLE:

Private Non-Profit Organizations (PNP) that meet the requirements of applicant and facility eligibility, as well as legal responsibility and work eligibility

### FAST FACTS

- ▶ \$45 billion reimbursement program that provides financial assistance to eligible applicants for some costs incurred for response and recovery activities due to COVID-19
- ▶ Assistance will consist of 75% federal cost sharing

### HOW TO USE

- ▶ Applicants will be asked to provide information on work activities, primary contact information, addresses, limited supporting documentation and a cost estimate
- ▶ PNPs are required to submit additional documentation before FEMA will approve their Request for Public Assistance (RPA)
- ▶ Once it is determined that a PNP meets the eligibility requirements for FEMA reimbursement, the PNP can begin applicable steps to submit an RPA
- ▶ PNPs are not to directly create their own accounts in the Grants Portal and submit an RPA

- ▶ A first-time applicant is required to go through the recipient (state or local emergency management entity), request a link to create an organizational profile and submit an RPA
- ▶ Set up COVID-19 accounts to segregate expenses related to COVID-19 cases
- ▶ Document all data to support costs. Be as detailed as possible in the documentation
- ▶ FEMA will accept RPAs for 30 days after the end of the HHS Public Emergency declaration
- ▶ There is currently no end date to the incident period; however, FEMA will provide 30 days' notice to submit RPAs once an end date is established

### ELIGIBILITY CHECKLIST

- Do you have the required PNP documentation such as an IRS 501 c/d/e letter or state letter?
- Have you performed emergency protective measures taken to respond to the COVID-19 emergency at the direction or guidance of public health officials and/or a legally responsible government entity?
- Are you legally responsible for the work?
- If no, do you have supporting documentation that you were directed to perform work at the request of and certified by the legally responsible government entity?
- Is this an eligible facility?
- Has this facility provided critical or non-critical but essential services, as defined by the federal statute, to be considered eligible for Public Assistance?



# Coronavirus Aid, Relief and Economic Security (CARES) Act

## Provider Relief Fund

### WHO'S ELIGIBLE:

Healthcare providers who received Medicare fee-for-service (FFS) reimbursements in 2019

### FAST FACTS

- ▶ \$100 billion Public Health and Social Services Emergency Fund
- ▶ Used to support COVID-19 healthcare related expenses or lost revenue
- ▶ Initial \$30 billion released on April 10, 2020 to provide immediate relief
- ▶ Second allocation of \$20 billion released April 24, 2020 based on 2018 Medicare cost report information, or 2018 or 2019 income-tax returns for those organizations that do not file a Medicare cost report
- ▶ \$10 billion allocation for COVID-19 hard-hit areas was allocated starting the week of April 27 based on the following:
  - ICU beds as of April 10, 2020
  - Total number of admissions for COVID-19 from Jan. 1, 2020-April 10, 2020, including a hospital's challenges faced due to serving a significant disproportionate number of low-income patients based on the Medicare DSH adjustment per the Medicare cost report

- ▶ \$10 billion allocated to rural health clinics and hospitals based on operating expenses
- ▶ Indian Health Services receive \$400 million based on operating expenses
- ▶ Additional funding in the amount of \$29.6 billion to be distributed to healthcare providers for treatment of uninsured COVID-19 patients and to providers that are Medicaid-only, dental offices and Skilled Nursing Facilities (SNFs) in COVID-19 hot zones.
  - Healthcare providers will be paid at Medicare rates for COVID-19 claims for treatment of uninsured patients
  - Healthcare providers will need to go in and register as a provider recipient the week of April 27.
  - They can submit claims as of May 6, 2020 for treatment of these patients from Feb. 4, 2020 onward

### HOW TO USE

- ▶ Funds are not intended to be a loan or be paid back unless money is not used for stipulated purposes outlined in the Terms and Conditions letter
- ▶ Providers must agree not to seek collection of out-of-pocket payments from COVID-19 patients that would be greater than what would have been expected through in-network providers
- ▶ Providers should expect audits of how the funds are used

## Medicare Accelerated and Advanced Payments

### WHO'S ELIGIBLE:

Hospitals

### FAST FACTS

- ▶ Payments are separate from the \$100 billion Public Health and Social Services Emergency Fund
- ▶ The existing program allows the Centers for Medicare & Medicaid Services (CMS) to accelerate Medicare payments to provide emergency funding and address cash flow issues in response to COVID-19, though as of [April 26](#), CMS was re-evaluating the amounts it would pay under the Accelerated Payment Program and suspending the Advance Payment Program to Medicare B suppliers such as doctors, non-physician practitioners and durable medical equipment suppliers
- ▶ Interest-free loan through the repayment period, after which interest will accrue 30 days from the date of the demand letter
- ▶ Simplified request process
- ▶ Each Medicare Administrative Contractor (MAC) has different forms
- ▶ No deadline to request

- ▶ After the maximum amount has been requested, there is no ability to request more; CMS will monitor as the situation evolves

### HOW TO USE

- ▶ Hospitals can request 100% of their Medicare payment amount based on a six-month lookback period
- ▶ Critical Access Hospitals (CAHs) can request 125% of Medicare payments
- ▶ Non-hospital providers and suppliers can request 100% of Medicare payments for a three-month lookback period
- ▶ An option exists to request a specific amount that is lower than 100%
- ▶ Inpatient, outpatient, and pass-through payments are all included in determining the Medicare payment
- ▶ MACs have determined the amount for each healthcare organization
- ▶ Repayment will begin 120 days after issuance for all providers
- ▶ Full repayment is required for Prospective Payment System (PPS) hospitals, CAHs, cancer hospitals and children's hospitals one year after the date the accelerated payments are issued
- ▶ All other providers' repayment is due 210 days or seven months after payment is issued

## Documentation of Funding and Use of Funds



### Tracking of Relief Funds

- ▶ Organizations should not use funds to cover expenses used by other funding programs
- ▶ Develop policy and procedures on the reporting of funds, COVID-19 expenses and lost revenue due to COVID-19

### Development of Methodology to Identify COVID-19 Expenses

- ▶ Maintain records and documentation per 45 CFR Section 75.302-Financial Management and 75.361-75.365-Record Retention Access
- ▶ Identify direct costs for COVID-19 and record in specific COVID-19 expense accounts

- ▶ Identify appropriate allocation method to distribute indirect departmental expenses to appropriate COVID-19 expense account

### Estimate Lost Revenue due to COVID-19

- ▶ Review historical year-over-year revenue decrease
- ▶ Compare budget to actual revenue
- ▶ Look at trending of revenue over the last six months to determine if revenue was trending up or down before COVID-19

## Paycheck Protection Program (PPP)

### WHO'S ELIGIBLE:

Businesses with 500 or fewer employees or that meet certain exceptions listed on the [Small Business Administration website](#)

Nonprofit organizations under section 501(c)(3)

Veterans' organizations

Tribal business concerns

### FAST FACTS

- ▶ Part of the CARES Act
- ▶ \$349 billion in initial funding, followed by an additional \$310 billion in funding through the PPP and Health Care Enhancement Act signed in late April
- ▶ Receiving funds from the Provider Relief Fund does not prohibit a PPP loan, as long as the loan and relief funding are used for different purposes
- ▶ Proceeds may be used for payroll costs which include gross wages, commissions, paid sick/medical/family leave, group healthcare and retirement benefit costs. Additional uses include mortgage interest payments, rent, utilities and interest on existing debt

### HOW TO USE

- ▶ Certify the loan is necessitated by current economic conditions to support ongoing operation of the business
- ▶ Lenders need to provide complete payment deferral for principal, interest and fees of at least 6 months and not more than 12 months
- ▶ 2.5 times payroll costs during one-year period—maximum amount is \$10 million based on one-year period prior to the loan date
- ▶ 1% interest rate, with interest and principal deferred for six months

### FORGIVENESS

- ▶ Eligible expenses paid in the eight weeks after the loan is funded are forgiven provided that 75% of those expenses are for payroll costs

## Other CARES Act Relief\*

### EMPLOYER RETENTION CREDIT

Allows employers to receive a credit of 50% of wages paid to certain employees (maximum \$5,000 credit) if business revenues fall below 50% of prior year comparable revenues

### PAYROLL TAX DEFERRAL

Allows employers to defer the deposit of payroll taxes for the remainder of 2020 until Dec. 31, 2021 and Dec. 31, 2022.

*\*These CARES Act provisions have restrictions if the employer also participated in the PPP.*

### Additional Support

In addition to seeking funds through formal relief packages, healthcare organizations can take other operational actions to navigate the pandemic and immediate resulting economic implications. For more information visit our [Crisis Response Resource Center](#), as well as our insights on:

[Healthcare Impacts of COVID-19 National Emergency Declaration](#)

[How Post-Acute Care Can Navigate COVID-19 Challenges](#)

[Tax Implications and Incentives for Physician Practices in an Age of COVID-19](#)

## BDO TAKEAWAYS

- ▶ Healthcare organizations of all types should understand the various funding avenues available and determine the best approach to take based on how the COVID-19 pandemic is affecting their cash flow right now—and how it's likely to in the future.
- ▶ Organizations will need to determine how taking advantage of the relief packages will impact how they will emerge in the post COVID-19 environment and how strong their financial position will be while navigating the uncertain circumstances on the path to recovery.
- ▶ With the "relaxed" regulations and determination to provide healthcare organizations funding as soon as possible, providers will need to take relevant steps to develop a complete audit trail of increased expenses, lost revenues, use of funds, and how coding and claims were handled to avoid claim denials and risk of reimbursement claw backs due to inappropriate use of funds, according to the guidelines of each program.

To learn more about how your organization can navigate financial relief options during this challenging time, reach out:

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