

Course CPE



- ➤ How to get CPE?
 - ➤ Answer all poll questions displayed throughout sessions - DO NOT ATTEMPT TO ANSWER **QUESTIONS IN FULL SCREEN MODE**
 - > Stay connected for the full 50 minutes
 - ➤ All CPE certificates will be provided via email if you do not receive your certificate by December 11, please contact MSL
 - <u>Mslu@mslcpa.com</u> − email to contact if you don't receive your certificate



Speaker Profiles





Scot Aurelius is a Shareholder at MSL, the Firm's Healthcare Team Leader and the Senior Housing Specialty Group Leader. He has over 25 years of experience in public and private accounting and has extensive experience servicing not-for-profit organizations, senior housing providers, and healthcare service providers. Scot has spoken at the FICPA Healthcare and Not-for-Profit Industry conferences, as well as numerous other industry and accounting conferences. He regularly provides continuing professional education training to clients, peers, and MSL staff on a wide variety of accounting and board governance trooler.





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Boris Kushnir is a Senior Manager at MSL and has more than 25 years of hands-on experience in management, finance, regulatory, reimbursement, operation and clinical consulting in the long-term care and ICF-IID industry.

Boris has been at MSL for five years. He is responsible for preparing and reviewing the preparation of Medicaid and Medicare cost reports for various long-term care and ICF-IID facilities throughout the United States. He also assists clients with valuation of potential acquisitions, performing operations reviews and identifying and implementing revenue enhancements. He is also experienced in analysis of the PDPM reimbursement and UPL/IGT reimbursement opportunities, comparative financial analysis, reimbursement consulting, and capital projects. He also assists clients in developing business plans and financial modeling to make sound business decisions.

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AGENDA



- General Overview
- > Reporting Requirements
- > Examples of Potential Accounting for Provider Relief Funds
- Uniform Guidance and Preparing for Your First Single Audit

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Provider Relief Fund Summary



- Phase 1 & 2 General Distribution (\$68 billion in total) in April/June
- Selected Targeted Distributions:
 - Skilled Nursing Facilities \$4.9 billion distribution (May) and \$2.5 billion of targeted distribution (June)
 - Medicaid & CHIP providers \$15 billion (July)
- > Performance-based incentive payment \$2 billion
- > Phase 3 General Distribution \$20 billion (October)



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Reminder of Terms & Conditions



- Certified that it "provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19"
- Certified that the payment "will only be used to prevent, prepare for, and respond to coronavirus, and that the Payment shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus."
- Certified that it "will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse."
- Must maintain appropriate records, cost documentation, and "other information required by future program instructions to substantiate the reimbursement of costs" under a payment and compliance with the terms and conditions.



Another Reminder

https://www.hhs.gov/coron avirus/cares-act-providerrelief-fund/faqs/index.html

Link to PDF of Entire FAQ:

https://www.hhs.gov/sites/d efault/files/provider-relieffund-general-distributionfaqs.pdf?language=en

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Post-Payment Reporting Requirement Guidance



- Guidance initially expected August 17, 2020
- > Post-Payment Reporting Notice September 19, 2020
- > Revised Post-Payment Reporting Notice October 22, 2020
- https://www.hhs.gov/sites/default/files/post-payment-notice-of-reporting-requirements-october-2020.pdf
- Revised Post-Payment Reporting Notice November 2, 2020
 - https://www.hhs.gov/sites/default/files/post-payment-notice-of-reporting-requirements-november-2020.pdf



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Reporting Timeline



- Providers who accepted payments exceeding \$10,000
- Reporting within 45 days of 12/31/2020 (for calendar year 2020) Reporting due 2/15/2021
- > Reporting system will be available starting January 15, 2021
- Recipients who did not expended funds in full by 12/31/2020 must submit a second and final reporting through 6/30/2021 no later than 7/31/2021



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Expenses Definition



- "Expenses attributable to coronavirus may be incurred both in treating confirmed or suspected cases of coronavirus, preparing for possible or actual coronavirus cases, maintaining healthcare delivery capacity, etc."
- Expenses Attributable to Coronavirus Not Reimbursed by Other Sources
- Recipient can accept a payment from the Provider Relief Fund & other sources, so long as the payment from the Provider Relief Fund is used only for permissible purposes & the recipient complies with the terms & conditions. By attesting to the terms & conditions, the recipient certifies that it will not use the payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse



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Reporting Categories



- Reporting Entities that received between \$10,000 and \$499,999
- Required to report healthcare related expenses attributable to coronavirus, net of other reimbursed sources (e.g., payments received from insurance and/or patients, and amounts received from federal, state or local governments, etc.) in two aggregated categories:
 - 1. G&A expenses
- 2. Other healthcare related expenses. These are the actual expenses incurred over and above what has been reimbursed by other sources.
- Recipients who received \$500,000 or more reporting more detailed information within the two categories of G&A expenses and other healthcare related expenses



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G&A Expenses



- Expenses attributable to coronavirus may be incurred in both direct patient care and overhead activities related to treatment of confirmed or suspected cases of coronavirus, preparing for possible or actual coronavirus cases, maintaining healthcare delivery capacity which includes operating and maintaining facilities, etc.
- Mortgage/Rent: Monthly payments related to mortgage or rent for a facility
- Insurance: Premiums paid for property, malpractice, business insurance, or other insurance relevant to operations



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G&A Expenses (continued)



- Personnel: Workforce-related actual expenses paid to prevent, prepare for, or respond to the coronavirus during the reporting period, such as workforce training, staffing, temporary employee or contractor payroll, overhead employees, or security personnel
- Fringe Benefits: Extra benefits supplementing an employee's salary, which may include hazard pay, travel reimbursement, employee health insurance, etc.
- Lease Payments: new equipment or software lease
- Utilities/Operations: Lighting, cooling/ventilation, cleaning, o additional third party vendor services not included in "Personnel".
- Other G&A Expenses: Costs not captured above that are generally considered part of overhead structure.



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Healthcare Related Expenses



- Supplies: Expenses paid for purchase of supplies used to prevent, prepare for, or respond to the coronavirus during the reporting period. Such items could include: personal protective equipment (PPE), hand sanitizer, or supplies for patient screening
- Equipment: Expenses paid for purchase of equipment used to prevent, prepare for, or respond to the coronavirus during the reporting period, such as ventilators, updates to HVAC systems, etc.

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Healthcare Related Expenses (continued)



- Information Technology (IT): Expenses paid for IT or interoperability systems to expand or preserve care delivery during the reporting period, such as electronic health record licensing fees, telehealth infrastructure, increased bandwidth, and teleworking to support remote workforce
- Facilities: Expenses paid for facility-related costs used to prevent, prepare for, or respond to the coronavirus during the reporting period, such as lease or purchase of permanent or temporary structures, or to modify facilities to accommodate patient treatment practices revised due to coronavirus
- Other Healthcare Related Expenses: Any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus



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Lost Revenue



- Lost revenues attributable to coronavirus, represented as a negative change in year-over-year (2019 and 2020) actual revenue from patient care related sources
- > Reported on a calendar year basis
- Reported patient care revenue is net of uncollectible patient service revenue recognized as bad debts
- Recipients that reported increased revenue from patient care in 2020 as compared to 2019, are eligible to use Provider Relief Fund payments toward expenses attributable to coronavirus not reimbursed by other sources, however, they would not be considered to have lost revenues attributable to coronavirus for the initial reporting period

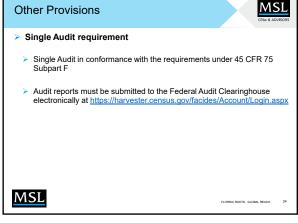


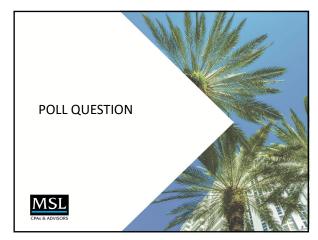
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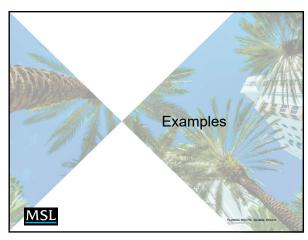
Personnel Metrics: Total personnel by labor category (full-time, part-time, contract, other: recipient must define), total re-hires, total new hires, and total personnel separations by labor category Patient Metrics: Total number of patient visits (in-person or telehealth), total number of patients admitted, and total number of resident patients Facility Metrics: Total available staffed beds for medical/surgical, critical care, and other beds

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Increased flexibility of Parent entity with allocation of general distribution funds within control group Reporting requirements do not apply to the Nursing Home Infection Control distribution or the Rural Health Clinic Testing distribution Two-step process Step 1 – Expenses attributable to coronavirus Step 2 – Unused funds applied to Lost Revenue Interest earned on Provider Relief Fund funds considered a reportable revenue source to HHS Details on how to return unused amounts will be provided in advance of the second 2021 reporting deadline, which is July 31, 2021 MSL







Sample Facility			MSL CPAS & ADVISORS
Sample Provider			
Beds Available Occupancy	2019 120 95%		2020 120 85%
Net Patient Service Revenue	\$ 12,500,000	\$	12,000,000
Operating Expenses	\$ 11,500,000	\$	11,800,000
Net Income (Loss)	\$ 1,000,000	\$	200,000
Lost Revenue		\$	500,000
Provider Relief Funds Received		\$	900,000
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Example 1								MSI CPAS & ADVISO	
General and Administrative Ex	penses: Total Expenses			tly Related to	M Health	elated to aintaining ncare Delivery Capacity	Total Coronavirus Expenses		
Mortgage/Rent:	\$	1.200.000	Ś	i Ullavii us	Ś	120.000	Ś	120.000	
Insurance:	,	150.000	7	50.000	7		7	50.000	
Personnel:		2.750.000		130,000		91.700		221.700	
Fringe Benefits:		412,500		19,500		13,800		33,300	
Lease Payments:		-		-		-		-	
Utilities/Operations:		600,000		30,000		60,000		90,000	
Other G & A Expenses:		100,000				10,000		10,000	
Subtotal G&A	\$	5,212,500	\$	229,500	\$	295,500	\$	525,000 A	
Healthcare Related Expenses A	Attributab	le to Coronaviru	ıs						
Supplies:			\$	50,000			\$	50,000	
Equipment:				75,000				75,000	
Information Technology (IT):				25,000				25,000	
Facilities:				60,000				60,000	
Other Healthcare Related Expe				-				-	
Subtotal Healthcare Related Ex	xpenses		\$	210,000			\$	210,000 B	
Total Related Expenses Attributable to Coronavirus (Step-1)						\$	735,000 = A + I		
PRF Received							\$	900,000	
Lost Revenue Available for Recognition (Step-2)							\$	500,000	
PRF Revenue Recognized as of 12/31/2020							Ś	900.000	

Example 2							MSL CPAs & ADVISORS
General and Administrative Expenses	Tot	al Expenses	ly Related to	Ma	elated to aintaining care Delivery Capacity		l Coronavirus Expenses
Mortgage/Rent: nsurance: Personnel: Fringe Benefits: Lease Payments:	\$	1,200,000 150,000 2,750,000 412,500	\$ 50,000 130,000 19,500	ş	120,000 - 91,700 13,800	ş	120,000 50,000 221,700 33,300
Utilities/Operations: Other G & A Expenses: Subtotal G&A Healthcare Related Expenses Attributable to Cor	\$ ronavirus	600,000 100,000 5,212,500	\$ 30,000 229,500	\$	60,000 10,000 295,500	\$	90,000 10,000 525,000 A
Supplies: Equipment: Information Technology (IT): Facilities: Uther Healthcare Related Expenses: Subtotal Healthcare Related Expenses			\$ 50,000 75,000 25,000 60,000 - 210,000			\$	50,000 75,000 25,000 60,000 - 210,000 B
Total Related Expenses Attributable to Coronavi		1)				\$	735,000 = A + E
PPP Loan Related to COVID expenses Other Grants and Insurance payments received						\$ \$	(300,000) (400,000)
PRF Received						\$	900,000
Lost Revenue Available for Recognition (Step-2) PRF Revenue Recognized as of 12/31/2020						\$	500,000 535,000



Requirements from FAQ



Auditing and Reporting Requirements

Are Provider Relief Fund payments fund payment to non-Federal entities (states, local

Are Provider Relief Fund payments fund payment to non-Federal entities (states, local governments, Indian tribes, institutions of higher education, and nonprofit organizations) subject to Single Audit? (Modified 730/2020)

Provider Relief Fund General and Targeted Distribution payments (CFDA 93.498) and Uninsured Testing and Treatment reimbursement payments (CFDA 93.461) to non-Federal entities are Federal awards and must be included in determining whether an audit in accordance with 45 CFR Part 75, Subpart F is required (i.e., annual total federal awards expended are \$750,000 or more).

Audit reports must be submitted to the Federal Audit Clearinghouse electronically at https://harvester.census.gov/facides/Account/Login.aspx.



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Requirements from FAQ



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 7/30/2020)

Commercial organizations that receive \$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 Government Auditing Standards; or 2) an audit in conformance with the requirements of 45 CFR 75 Subpart F.

Provider Relief Fund General and Targeted Distribution payments (CFDA 93.498) and Uninsured Testing and Treatment reimbursement payments (CFDA 93.461) must be included in determining whether an audit in accordance with 45 CFR Subpart F is required (i.e., annual total awards received are \$750,000 or more).

Audit reports of commercial organizations must be submitted directly to the U.S. Department of Health and Human Services, Audit Resolution Division at <u>AuditResolution@hhs.gov.</u>





Preparing for Your First Single Audit



STEP ONE: Increase Knowledge About Single Audits!

- ✓ AICPA and GAQC offer great resources: <u>AICPA Single Audit Tools</u>, Practice Aids and Other Resources for Auditees
- ✓ Listen to the AICPA 2020 OMB Compliance Supplement and Single Audit Update here (it's free): Audio Playback of GAQC 2020 Compliance Supplement and Single Audit Update
- Ask questions of your audit executive

STEP TWO: Gather and all federal grant information

- Summarize all federal awards received and expended during the fiscal year being audited.
- ✓ Include the appropriate CFDA number
- CFDA Catalog of Federal Domestic Assistance
- 93.498 Provider Relief Program



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Preparing for Your First Single Audit (continued)



STEP THREE: Draft your SEFA

- What the heck is a SEFA? Schedule of Expenditures of Federal Awards
- ✓ This is what the auditor will be auditing!
- ✓ If you have multiple programs, this is used as the basis to determine which programs are "major" (i.e. tested)
- Reminder: Only programs subject to the single audit should be included on the SEFA. So, any PPP loans should <u>not</u> be listed.



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Preparing for Your First Single Audit (continued)

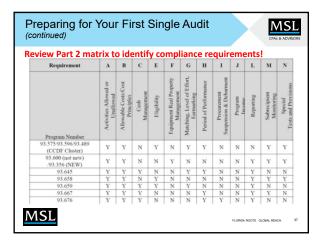


STEP FOUR: Understand the applicable compliance requirements

- Understanding the terms of the grant and applicable compliance requirements will ensure compliance and avoid audit findings!
- ✓ Issued in two parts this year with part one issued on 8/18/20.
- ✓ Two accessible versions:
- ✓ Single PDF: OMB Single PDF of Compliance Supplement
- ✓ GAQC By Section: GAQC Posting of 2020 Supplement by Section
- Part two addendum will cover many new COVID-19 programs
 - ✓ Currently expecting a December release
- Addendum should list the compliance requirements that are subject to audit



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Preparing for Your First Single Audit (continued) STEP FIVE: Ensure (or develop) policies and procedures for internal controls over federal funds 4. Auditors are required to test internal controls over federal awards for major programs. 5. Types of controls and processes auditors will be looking for include: 1. How the control is performed and the frequency with which it is performed and the title of the person in charge of performing the control 2. The documents that are used in performing the control 3. Existing procurement policies should be reviewed to ensure compliance

Preparing for Your First Single Audit (continued)	SORS
STEP SIX: Perform a self-check!! Is there sufficient support to document that adequate controls were in place? (i.e. sign-offs indicating approval of invoices, documents available for inspection, etc.) No expenditures were reimbursed by more than one federal funding source (i.e. PPP loan)	
□ DOCUMENT, DOCUMENT and thenDOCUMENT some more!!!	
STEP SEVEN: Stay Informed and Consult with MSL!! ✓ Information regarding Provider Relief Funding and the related audit requirements continue to change	
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Recommendations Document, document, document!!! Identify & document expenses attributable to coronavirus Ensure appropriate internal controls are in place and documented! Ensure that funding sources (PPP loan, Provider Relief Funds, etc.) are allocated to the expenses and no double dipping is occurring Focus on allowable expenses first Start preparing your quarterly reporting information for current and prior year Discuss with MSL (especially if you have more than \$750,000) Be alert for more changes!!!

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