Finance Office Hours for Health Centers

Questions and Answers from the May 15, 2020 Session

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This document summarizes questions received via the chat during the finance office hours for health centers. The session was attended by 302 participants from health centers, primary care associations, health center controlled networks, and national cooperative agreement entities funded by the Health Resources and Services Administration. Experts participating in the session have shared their responses to these questions. This document is organized into the three categories of questions received:

I. Coronavirus Aid, Releif, and Economic Security (CARES) Act
II. Provider Relief Funds
III. Small Business Administration (SBA) Paycheck Protection Program (PPP)

Disclaimers
BKD is providing guidance based on a current understanding of the rules. The guidance from COVID stimulus and relief funding is changing almost daily and you should always consult the rule making authorities before making final decisions. We are not attorneys nor are we qualified to provide legal advice.

Information from this document was accurate as of May 15, 2020. Please check appropriate sources for more current and up to date information.

I. Coronavirus Aid, Releif, and Economic Security (CARES) Act

Question: Can CARES Act funds be kept in interest earning accounts until expended?

BKD is not currently aware of any guidance stating that this is a requirement, nor that it would be prohibited. It certainly would be reasonable and prudent to deposit the funds in an interest bearing account.
**Question:** For the CARES funding that allowed health centers to maintain capacity, which can result in employees not working to capacity, how can Time and Effort tracking with Personnel Activity Reports validate that an employee’s time was covered under CARES?

The H8C and H8D funds provided through the CARES Act provided support to Health Centers to maintain or increase capacity. The H8E funding provided to Health Centers is only to support testing. HRSA made the following comments in regards to paying staff who are not currently working as a result of the COVID-19 public health emergency:

*Restrictions on non-emergency dental services, voluntary delays in patients seeking care due to social distancing mandates and recommendations, temporary site closures due to school closures, or the need for staff to self-isolate due to potential exposure, mean that providers and staff may be temporarily unable to fully contribute their services to patients and/or to the health center.*

*Health centers may use H80, H8C and H8D grant funds or non-grant funds to continue to pay staff as a means of maintaining capacity during the COVID-19 public health emergency and to help ensure readiness to address the full range of comprehensive primary health care needs, including pent up demand, as the emergency abates. This includes the use of funds for obligations incurred during the course of the emergency, since January 20, 2020, either for current payment or reimbursement of incurred costs, including staff salaries.*

*Health centers may use H8E grant funds or non-grant funds to continue to pay staff as a means of maintaining or expanding COVID testing capacity. For example, health centers may pay staff necessary to support implementation or expansion of COVID-19 testing that is temporarily limited by availability of testing sites, test kits, or related supplies.*


Time and effort reporting could validate the activity being supported by the individual (i.e. testing or supporting general scope of Health Center grant or just being ready to serve health center patients when needed) which should help a Health Center understand and document which awards they could obligate with those types of salary expenses.

The standards for documentation of personnel expenses can be found in the Uniform Grants Requirements (link below) - § 200.430(i)(1).

[https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=501752740986e7a2e59e46b724c0a2a7&ty=HTML&h=L&r=PART
&n=pt45.1.75#se45.1.75_1430](https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=501752740986e7a2e59e46b724c0a2a7&ty=HTML&h=L&r=PART
&n=pt45.1.75#se45.1.75_1430)

**II. Provider Relief Funds**
**Question:** Is there a reporting requirement for Provider Relief Funds?

The terms and conditions for the provider relief funds can be accessed at the link below. The terms and conditions state the following in regards to reporting requirements:

> Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than $150,000 total in funds under the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136), the Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), the Families First Coronavirus Response Act (P.L. 116-127), or any other Act primarily making appropriations for the coronavirus response and related activities, shall submit to the Secretary and the Pandemic Response Accountability Committee a report. This report shall contain: the total amount of funds received from HHS under one of the foregoing enumerated Acts; the amount of funds received that were expended or obligated for each project or activity; a detailed list of all projects or activities for which large covered funds were expended or obligated, including: the name and description of the project or activity, and the estimated number of jobs created or retained by the project or activity, where applicable; and detailed information on any level of sub-contracts or subgrants awarded by the covered recipient or its subcontractors or subgrantees, to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 allowing aggregate reporting on awards below $50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.


**Question:** What revenue do we report in the provider portal for the Provider Relief Stimulus Revenue Submissions?

The revenue that should be reported for this requirement is taken from the Health Center’s IRS Form 990 tax return. The line it comes from is titled “Gross Receipts or Sales” or “Program Service Revenue”. In addition, a reasonable calculation needs to be made of the lost revenue due to COVID. No specific formula is given for this calculation however it was outlined in the guidance given that the difference between budgeted revenue and actual revenue would generally be considered a reasonable estimate. Per the link (copied below and in the section entitled “What information is HHS collecting in the Provider Relief Fund Payment Portal”), HHS is collecting the following in regards to revenue:

The [Provider Relief Fund General Distribution Payment Portal](https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html) collects four pieces of information to allocate remaining General Distribution funds:

1. a provider’s “Gross Receipts or Sales” or “Program Service Revenue” as submitted on its federal income tax return;
2. the provider’s estimated revenue losses in March 2020 and April 2020 due to COVID;

3. a copy of the provider’s most recently filed federal income tax return;

4. a listing of the TINs for any of the provider’s subsidiary organizations that received relief funds but DO NOT file separate tax returns.

Please access the link below for additional information in regards to this topic.


**Question:** What are the necessary documents to show expenses over the lifetime of the funds?

Please refer to the terms and conditions of each distribution for this information (link copied below for $30b general distribution). HHS has generally indicated that these funds are to be used for the following purposes in the terms and conditions:

*The Recipient certifies 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.*

Additionally, the terms and conditions contain the following language:

*The Recipient shall maintain appropriate records and cost documentation including, as applicable, documentation described in 45 CFR § 75.302 – Financial management and 45 CFR § 75.361 through 75.365 – Record Retention and Access, and other information required by future program instructions to substantiate the reimbursement of costs under this award. The Recipient shall promptly submit copies of such records and cost documentation upon the request of the Secretary, and Recipient agrees to fully cooperate in all audits the Secretary, Inspector General, or Pandemic Response Accountability Committee conducts to ensure compliance with these Terms and Conditions.*

BKD suggests tracking the revenues and expenditures related to these funds in a separate segment in the general ledger. We are advising clients to maintain documentation in the same way as the documentation maintained to support the use of other federal grant funds.

https://www.hhs.gov/sites/default/files/terms-and-conditions-provider-relief-30-b.pdf

**Question:** Estimated lost revenue for March: should we allocate part of funds received in April as March revenue/AR due?
Generally Accepted Accounting Principles (GAAP) require a Health Center to record revenue in the same period in which the services were rendered. The receipt of cash is not the determinate in recording revenue. You should consider March revenue in accordance with GAAP which would include services that were paid in subsequent months. In addition, consider the statement that HHS in their FAQs on their website (link copied below):

How do I estimate lost revenue in March or April?

You may use a reasonable method of estimating the revenue during March and April compared to the same period had COVID-19 not appeared. For example, if you have a budget prepared without taking into account the impact of COVID-19, the estimated lost revenue could be the difference between your budgeted revenue and actual revenue. It would also be reasonable to compare the revenues to the same period last year.


**Question:** Are you recommending we treat the stimulus Provider Relief Fund as a separate fund, our primary use for these funds will be to support lost revenue. Do we need to account for what we spend the stimulus funds on?

If a provider is using the Provider Relief Funds to support lost revenues, BKD suggests as a best practice that the provider document the analysis performed by the Health Center to determine that there was lost revenue. Practically speaking, this generally involves a comparison to a Health Center’s prior year actual performance and current year expected performance. BKD is suggesting that these funds be accounted for in a separate fund in the general ledger for tracking purposes as they will be reported on the Schedule of Expended Federal Awards regardless of whether they were used to support lost revenues or healthcare related expenses.

**Question:** Based on this it seems we should be doing more to T&E reporting. I was under the impression that a biannual statement signed by each employee was sufficient as well?

The standards for documentation of personnel expenses can be found in the Uniform Grants Requirements (link below) - § 200.430(i)(1).

Biannual statements signed by each employee for the H80, H8C, and H8D awards would generally meet the standards for documentation of personnel expenses if these employees were only working on activities in scope of the Health Center program, did not earn over the salary cap, and their salary or wage was not supported by another funding source. The H8E funds provided by HRSA support a specific activity – testing for the Coronavirus which is very narrow compared to the entire scope of the Health Center project. To support partial allocations of wage expense to this award, organizations should have a system of internal controls (Time and Effort reporting or other) that attributes effort to the “testing” activity. If an individual is solely working to
support the provision of testing services (as provided in guidance by HRSA) a certification might also be acceptable in this circumstance.

https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=501752740986e7a2e59e46b724c0a2a7&ty=HTML&h=L&r=PART\n&n=pt45.1.75#se45.1.75_1430

**Question:** Are you recommending that Provider Relief funds be treated as deferred revenue?

BKD suggested during the webinar that if a provider does not use the provider relief funds immediately, they should record the receipt of funds as a liability and only recognize the revenue as funds are obligated in accordance with GAAP.

**Question:** Can we move stimulus Provider Relief funds to Certificates of Deposit until we need them? Our stimulus deposits are well over our general bank accounts Federal Deposit Insurance Corporation (FDIC) limits.

BKD is not currently aware of any guidance stating that this is a requirement, nor that it would be prohibited. It certainly would be reasonable and prudent to deposit the funds in an interest bearing account which could include certificates of deposit.

**Question:** How long do we have to use Provider Relief stimulus funding? There was no time frame in the attestations.

To our knowledge, HHS has not defined a time frame for using these funds.

**Question:** Please restate what was said about restrictions on Provider Relief Funds.

The CARES Act Provider Relief Fund Terms and Conditions can be found at the link below. There are different restrictions for each distribution. Generally, providers will have to make the following certification in regards to the use of these funds:

*The Recipient certifies 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.*

https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/for-providers/index.html#terms

**Question:** What if a center didn’t get their April 24th Provider Relief payment?
Please see the link below for information related to this question. There is an FAQ that states the following:

How did HHS determine the additional payments under the General Distribution? *(Added 5/14/2020)*

HHS is distributing an additional $20 billion of the General Distribution to providers to augment their initial allocation so that $50 billion is allocated proportional to providers' share of 2018 net patient revenue. The allocation methodology is designed to provide relief to providers, who bill Medicare fee-for-service, with at least 2% of that provider’s net patient revenue regardless of the provider's payer mix. Payments are determined based on the lesser of 2% of a provider’s 2018 (or most recent complete tax year) net patient revenue or the sum of incurred losses for March and April. If the initial General Distribution payment you received between April 10 and April 17 was determined to be at least 2% of your annual patient revenue, you will not receive additional General Distribution payments.


Providers must take action to submit revenue information to HHS by June 3rd, 2020 to be considered for additional general distribution funds.

**III. Small Business Administration (SBA) Paycheck Protection Program (PPP)**

**Question:** We have received less than $2M in PPP money. Do we have to submit any certification to SBA or bank?

Information related to the PPP program can be found at the link below. All borrowers will be required to submit a forgiveness application to the lender servicing the loan. The application is currently available on the SBA website. Page 10 of the forgiveness application lists the documents that will need to be provided by the borrower with the forgiveness application.

[https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses](https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses)

**Question:** How is necessity of PPP loan defined?

Please refer to the SBA FAQs #31 and 46 using the link below for more information on this question.

BKD recommends that all borrowers document in writing how it was determined that the loan was necessary so that this information can be provided to lenders or the SBA if the loan is selected for review.

**Question:** What are other useful resources on grants strategies?

Please see the links below for videos recorded for NACHC on the topics of Grants Management and the Provider Relief Fund:

Health Center Funding & Grants Management Considerations:  


COVID 19: Provider Relief Fund & The Enhancement Act:  

All recordings and materials from each session of this series are posted at:  

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