Provider Relief Fund: Additional Clarity Needed for Healthcare Providers

The COVID-19 pandemic has created a staggering level of operational and financial challenges for healthcare providers. While the Provider Relief Fund (PRF) provided billions of dollars of stimulus payments to those impacted financially by the pandemic, the stimulus rollout also presented numerous challenges, specifically in the lack of clarity in the PRF's terms and conditions.

Clarification Please

The PRF was established by Congress via the Coronavirus Aid, Relief and Economic Security (CARES) Act to create funding to compensate healthcare providers for lost revenue and unreimbursed expenses resulting from the pandemic. Guidance was regularly provided by the U.S. Department of Health and Human Services (HHS) on the PRF through updates to the terms and conditions, reporting guidance as well as frequently asked questions (FAQs), providing a rolling update in how to handle the issue.

As an example, September 2020 saw HHS defining "lost revenue" as the decline in year-over-year operating margins. Unfortunately, this was significantly different from what many professionals in the industry believed the calculation was intended to be, a loss in top line revenue. The next month, HHS released revised reporting requirements that changed the definition yet again, now defining lost revenue as the difference between actual calendar year 2020 revenue and actual calendar year 2019 revenue. Given that prior HHS guidance indicated that the lost revenue could be based on the comparison of actual revenue versus budgeted or forecasted revenue, this updated guidance still didn't provide the answers many healthcare providers needed.

To provide further clarification, Congress passed the Consolidated Appropriations Act 2021 (CAA) in December. CAA did two things for the PRF that were of interest to healthcare providers. It once again changed how lost revenue was calculated, permitting a budget-to-actual calculation as well as actual year-over-year calculations, and it allowed providers who fall under the umbrella of a parent organization which received targeted distributions to allocate their distributions to other healthcare providers who were eligible within the same organization.

The changes in targeted distribution allocation flexibility as well as the lost revenue definition changes made it much easier for many PRF recipients to move into 2021 with more financial security.

Staying in Compliance through Audits

In 2021 and beyond, healthcare providers and auditors alike will need to stay on top of the guidance being issued within the HHS's FAQs, which subject the PRF funds to compliance audits. On June 11, 2021, HHS revised and released the Post-Payment Notice of Reporting

Requirements, which discusses the specifics of usage of funds and how funds should be reported within the PRF reporting portal. The PRF reporting portal opened July 1, 2021, and requires periodic reporting depending on when an organization received funding. Organizations are required to report all expenditures based on funding received exceeding $10,000, in the aggregate. Below is a summary chart of the reporting requirements per the HHS website.

	Payment Received Period (Payments Exceeding $10,000 in Aggregate Received)	**Deadline to Use Funds**	**Reporting Time Period**
Period 1	From April 10, 2020 to June 30, 2020	June 30, 2021	July 1 to September 30, 2021
Period 2	From July 1, 2020 to December 31, 2020	December 31, 2021	January 1 to March 31, 2022
Period 3	From January 1, 2021 to June 30, 2021	June 30, 2022	July 1 to September 30, 2022
Period 4	From July 1, 2021 to December 31, 2021	December 31, 2022	January 1 to March 31, 2023

HHS has made it clear that it will not approve extensions on submissions of their required reports for any reporting period. Late submissions will be deemed out of compliance with the program. In addition, HHS will not approve extensions on use of funds for any providers. Any unused funds must be returned to the government following the relevant reporting time period.

In addition to updating the PRF reporting requirements and opening the PRF reporting portal, HHS has released guidance on how and when these funds should be audited for both nonprofit and commercial organizations. Nonprofits are required to consider PRF funding received when deciding whether an audit is needed under 45 CFR Part 75 Subpart F. This process and determination are typically routine for these organizations, but not so much for commercial entities who have never received federal financial assistance before. A nonprofit's Schedule of Expenditures and Federal Awards (SEFA) is linked to its report submissions in the PRF reporting portal, and the organization should use the above chart and deadlines to use the funds when reporting the PRF funding on its SEFA.

Commercial entities receiving $750,000 or more in awards annually will have two options to address compliance audit requirements:

- Complete a financial-related audit of the award that is completed according to the Government Auditing Standards (GAS); or
- Undertake an audit that conforms with the requirements of 45 CFR Part 75 Subpart F (commonly referred to as a Single Audit).

Because Single Audits are not really a viable option from a practical standpoint, most commercial organizations will choose to undertake a GAS audit. However, the complicating factor in using this type of audit is the lack of guidance currently available. Though commercial entities receiving PRF funds know that they'll need to complete an audit, the timeframe of when the audit must be completed is unclear, as are some details surrounding how such an audit would apply to PRF spending. HHS has discussed audit timing and other unanswered questions with the American Institute of Certified Public Accountants, so guidance is expected to be issued in the near future based on those efforts.

For now, it’s best to continue to review the terms and conditions of the PRF grants and related FAQs in addition to refining your reporting methodologies based on the guidance. By doing so, your audit process will be smooth and simple.

We’re Here to Help

Bennett Thrasher’s Financial Reporting & Assurance professionals are here to help you navigate these complexities. To learn more about our services and recommended best practices, contact Alana Mueller, Michael Dukes or Matt Grosvenor by calling 770.396.2200.