

COVID-19 FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

This presentation provides an overview of some of the funding opportunities available to behavioral healthcare providers and related implications. Related thereto the most significant recent development was the issuance of a Post-Payment Notice of Reporting Requirements by HHS with respect to Provider Relief Funds (PRF). Following are certain related pertinent matters:

- September 19th HHS released updated reporting guidelines for CARES act funding from General and Targeted distributions. Included in this announcement is a shift in the definition and calculation of “Lost Revenues”.
- Previous announcements and attestations indicated PRF could report their use by either Lost Revenues or costs incurred to treat, prepare or prevent against actual or possible cases of COVID-19. Going forward PRF recipients will report the use of their payments by first submitting “healthcare related expenses attributable to coronavirus” then applying any remaining funds against “negative change in year-over-year net patient care operating income”.
- Effectively, lost revenues are now defined as an entities change in net operating income, a significant departure from previously communicated examples of lost revenue by HHS. Reporting will still be required at the Tax Identification Number level.

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Other incorporated updates include:

- Entities that received between \$10,000 and \$499,999 in aggregated PRF payments require reporting at an aggregated level for healthcare related expenses
- Entities that received \$500,000 or more in PRF payments will require detailed reporting on healthcare expense related to coronavirus
- Definitions & examples of General & Administrative expenses and Healthcare related expense attributable to Coronavirus that can be claimed against any PRF.
- Lost revenue/operating income calculations will be reported quarterly but impacts for use of PRF payments will be calculated upon a “calendar year comparison of 2019 to 2020.”
- Unused funds at December 31, 2020 will submit a second and final report no later than July 31, 2021 that includes Coronavirus expenses and lost revenues for the period January 1- June 30, 2021.
- Non-financial data will be collected for each quarter of 2020 including various personnel, patient, and facility metrics

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Significant questions still remain over the announcement and much like the Payroll Protection Program we expect multiple rounds of FAQs and potentially changes to the final reporting before the online portal opens up to providers in 2021.

Practical takeaways from this announcement:

- Accumulate your organizations COVID expenses used to “prevent, prepare for, or respond to” COVID-19 and assess their value compared to any PRF payments already received.
- Revisit your financial accounting treatment of PRF payments received this spring and summer and update any reserves or assumptions made based on this new announcement.
- Review the revised definition for lost revenues (net operating income) on your organizations 2019 and 2020 operations to determine what, if any amounts can be used to offset funds received.
- Gather human resources and senior leadership to begin accumulating non-financial metrics by quarter for items such as staffed beds, patient visits in person or telehealth, total employee separations or re-hires.

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Available Funds/Programs

- Public Health and Social Services Emergency Fund (HHS)
- Substance Abuse and Mental Health Services Administration (SAMHSA)
- Supplemental Awards for Federally Qualified Health Centers (FQHC)
- Delay of Disproportionate Share Hospital Reductions
- Paycheck Protection Program (SBA)
- Economic Injury Disaster Loan (EIDL) (SBA)
- Hospital Assessment Fee Reduction for Indiana Hospitals
- Employer Payroll Tax Delay (IRS)
- Employee Retention Credit
- FEMA Public Assistance (PA) Information
- Suspension of Medicare Sequester (CMS)
- Cooperative Agreement for Emergency Response: Public Health Crisis Response (CDC)

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Public Health and Social Services Emergency Fund (HHS) – General and Targeted Distributions

❑ Type of Funding

- \$175 billion (\$100 from CARES Act and \$75 billion from the PPPHCE Act) for hospitals and other providers to prevent, prepare for, and respond to COVID-19 through grants and other payment mechanisms; eligible expenses include lost revenues (NOI) as currently defined, building new structures or retrofitting existing buildings, purchasing supplies, training staff, and other COVID-19-related costs. In order to receive this funding, providers are obligated to not “balance bill” any patient for COVID-19 related treatment services. The Acts also requires that providers do not charge out of network rates for any COVID-19 patients, even if their insurance plan is not in network. In addition, the Acts include reimbursement to providers at Medicare rates for the testing of uninsured patients for COVID-19.

❑ Who is Eligible?

- ✓ Medicare Part A providers and Part B suppliers

❑ HHS Website is a great resource

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

❑ How to Apply?

- ✓ N/A - will be distributed automatically

- ❑ Important Dates - Providers must sign an attestation confirming receipt of the funds within **90** days of receiving the funds and agree to the terms and conditions of payment.

❑ Implications – FAQ Period Underway

- ❑ The CARES Act requires that providers meet certain terms and conditions if a provider retains a Provider Relief Fund payment. If a provider chooses to retain the funds, it must attest that it meet these terms and conditions of the payment. Funds are considered federal dollars and subject to Single Audit Requirements
- ❑ Must determine and track eligible expenses including G&A component
- ❑ Monitor lost revenue (NOI) changes YOY through 12/31/20 and further through June 30, 2021 compared to same periods from 2019.
- ❑ Be very careful to avoid “double dipping” – Can only submit a claim for a specific expense reimbursement under one program
- ❑ Submit required Information by February 15, 2021 for calendar year ending 12/31/20 and by July 31, 2021 for six-month period ending June 30, 2021.
- ❑ These funds are considered governmental grants that are conditional. Should be recorded as a refundable advance until conditions have been substantially met.
- ❑ FMAP percentages decreased. These are considered federal funds and are also subject to Single Audit Requirements.
- ❑ Compliance supplements for both the PRF and the FMAP funds have not been issued.

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Substance Abuse and Mental Health Services Administration (SAMHSA)

Type of Funding

- \$425M of funds to address mental health and substance use disorders as a result of the coronavirus pandemic
 - Certified Community Behavioral Health Clinics: \$250M to increase access to mental health care services
 - Suicide Prevention: \$50M to provide increased support for those most in need of intervention
 - Emergency Response Grants: \$100M in flexible funding to address mental health, substance use disorders, and provide resources and support to youth and the homeless during the pandemic
- www.samhsa.gov

Who is Eligible?

- ✓ Certified Community Behavioral Health Clinics/Centers

How to Apply?

- ✓ Some funds will be automatically received. Others must be applied for through SAMHSA. Initial funding from SAMHSA has been exhausted but more may be allocated.

Implications

- Must track the spending of funds
- Accounting is similar to other governmental grants

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Supplemental Awards for Federally Qualified Health Centers (FQHC)

Type of Funding

- *\$1.9B given to FQHCs nationally* [IN (\$24M), KY (\$22M), OH (\$41M)] to provide one-time support to health centers for the detection of coronavirus and/or the prevention, diagnosis, and treatment of COVID-19, including maintaining or increasing health center capacity and staffing levels during a coronavirus-related public health emergency.
- <https://bphc.hrsa.gov/emergency-response/coronavirus-cares-FY2020-awards>

Who is Eligible?

- ✓ HRSA funded federally qualified health centers.

How to Apply?

- ✓ N/A - will automatically receive.

Implications

- Must track the spending of funds
- Accounting is similar to other governmental grants

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Delay of Disproportionate Share Hospital Reductions

❑ Type of Funding

- The CARES Act delays the \$4 billion in Medicaid disproportionate share hospital (DSH) reductions for fiscal year 2020. Additionally, DSH reductions for fiscal year 2021 are delayed until Dec. 1, 2020 (as opposed to Sept. 30, 2020). The CARES Act also reduces the fiscal year 2021 DSH reductions to \$4 billion (instead of the \$8 billion originally proposed), with no additional cuts after fiscal year 2025.

❑ Who is Eligible?

- ✓ Hospitals receiving Medicaid disproportionate share payments

❑ How to Apply?

- ✓ N/A

❑ Important Dates

- ❖ Through September 30, 2021

❑ Implications

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Paycheck Protection Program (SBA)

□ Type of Funding

- The CARES Act expands eligibility for and provides \$349 billion to fund special new loans, loan forgiveness, and other relief to small businesses affected by COVID-19. SBA can provide a maximum loan of 250% of the last 12 months' average monthly payroll costs over the February 15-June 30, 2020 period, capped at \$10 million. The amounts by which individual employee salaries exceed \$100,000 annually will be excluded from the loan calculation. Forgivable amounts may be prorated.
 - Providers with 500 or less employees – subject to SBA affiliation rules
 - Borrowers who received loans prior to June 5th have the option to extend the original 8 week period to 24 weeks (covered period) and the payroll expenditure requirement was reduced from 75% to 60% of eligible costs.
 - Must maintain/restore FTEs by December 31, 2020.
 - Interest rate is 1% and loan payments are deferred until the SBA determines the amount of forgiveness. Must apply for forgiveness within 10 months after the last day of the covered period.
 - AICPA has several resources available including FAQs - <https://future.aicpa.org/resources/article/sba-paycheck-protection-program-ppp-faqs>
 - Treasury Department FAQs on forgiveness can be found here - <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-FAQs.pdf>

□ Implications

□ Option to follow one of two accounting models

- Debt Model – income recognized when provider is legally released of the debt obligation (forgiven by SBA) – Work with the Bank on repayment terms and conditions during interim period
- Grant Model – accounted for as a conditional contribution by initially recording a refundable advance and recognizing income as conditions are substantially met

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Economic Injury Disaster Loan (EIDL) (SBA)

❑ Type of Funding

- The CARES and PPP and HCE Acts waive certain requirements and expands eligibility for an EIDL. An EIDL is a working capital loan of up to \$2 million (12-month deferral and then 2.75% interest for most private non-profits) that can be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. There is no loan forgiveness associated with this program, but EIDL applicants may receive a \$10k emergency grant that does not have to be repaid and is available within three days of application. Emergency grants are available from January 31, 2020, to December 31, 2020. Layoffs and salary reductions do not impact eligibility.

❑ Who is Eligible?

- ✓ Healthcare providers that meet the definition of the small business by the SBA – [noted by SBA here.](#)

❑ How to Apply?

- ✓ Must apply through a bank

❑ Implications

- ❑ Borrowers may apply for the PPP and other SBA financial assistance, including disaster loans and Section 7(a) loans. However, you cannot use the proceeds from the PPP for the same purpose as your other SBA loan(s). Loan proceeds would need to cover payroll for a different period or other qualifying costs. This includes the up to \$10,000 grant available with the Section 7(b)(2) loans- EIDL.

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Hospital Assessment Fee Withhold for Indiana Providers

❑ Type of Funding

- Hospital Assessment Fees (HAF) were withheld for the month of May. Original thought was these fees would be eliminated, however the State clarified their stance that this was only a postponement of the payment to offer providers cash relief. This does not apply to HIP fees.

❑ Who is Eligible?

- Indiana Providers

❑ How to Apply?

- N/A

❑ Important Dates

- If hospitals have not made their HAF fees to DXC for May, no payment was necessary. If they have made their payment for May, they could skip the June payment. Repayment of the skipped fee may be paid directly or offset from the credits back for the 2020 fees.

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Employer Payroll Tax Delay (IRS)

❑ Type of Funding

- Under the CARES Act, **employers can defer payment of the 6.2% FICA tax** on wages paid between March 27 and December 21, 2020. Fifty percent of the deferred payment is due by December 31, 2021, and the remaining 50% is due by December 31, 2022.

❑ Who is Eligible?

- ✓ All healthcare providers

❑ How to Apply?

- ✓ N/A – No need to notify the IRS

❑ Important Dates

- ❖ Effective March 27, 2020 through December 21, 2020.

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Employee Retention Credit

□ Type of Funding

- The Employee Retention Credit is a fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages taken into account with respect to each employee for all calendar quarters is \$10,000, so that the maximum credit for an Eligible Employer for qualified wages paid to any employee is \$5,000.
- <https://www.irs.gov/coronavirus/employee-retention-credit>

□ Who is Eligible?

- ✓ Healthcare providers that experience either
 - ✓ 1. The full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19, or
 - ✓ 2. A significant decline in gross receipts (less than 50% of gross receipts compared to the prior year quarter)

□ How to Apply?

- ✓ Completed with the filing of Federal 941 forms

□ Important Dates

- ❖ Eligible for qualified wages from March 12, 2020 through December 31, 2020.

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FEMA Public Assistance (PA) Information

☐ Type of Funding

- FEMA announced that certain emergency protective measures taken to respond to the COVID-19 emergency may be eligible for reimbursement under Category B of the Public Assistance (PA) Program.
- FEMA may provide PA for the following emergency protective measures
 - Management, control and reduction of immediate threats to public health and safety
 - Emergency medical care
 - Medical sheltering (e.g., when existing facilities are reasonably forecasted to become overloaded in the near future and cannot accommodate needs)
- <https://www.fema.gov/news-release/2020/03/19/coronavirus-covid-19-pandemic-eligible-emergency-protective-measures>

☐ Who is Eligible?

- ✓ State and Local Governments
- ✓ Certain Private Nonprofit Organizations; including hospitals and related facilities, clinics, long-term care facilities, and outpatient facilities

☐ How to Apply?

- ✓ Complete a Request for Public Assistance (RPA)

☐ Important Dates

- ❖ Deadline is currently waived; potential applicants are encouraged to apply

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Suspension of Medicare Sequester (CMS)

❑ Type of Funding

- The CARES Act suspended the Medicare sequester (2% of all Medicare fee-for-service payments) from May 1-December 2020. Sequestration cuts began in 2013 and have been extended from 2029 to 2030.
- Applicability to Medicare Advantage will depend on a hospital's contract terms.

❑ Who is Eligible?

- ✓ Providers receiving Medicare Fee-For-Service (FFS) reimbursement

❑ How to Apply?

- ✓ N/A - will be distributed automatically

❑ Important Dates

- ❖ Effective May 1, 2020 through December 31, 2020.

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Cooperative Agreement for Emergency Response: Public Health Crisis Response (CDC)

❑ Type of Funding

- CDC is awarding ~\$730M to eligible jurisdictions to prevent, prepare for, and respond to COVID-19. This funding is intended for state, local, territorial, and tribal health departments to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities. States can fund hospitals and other health care providers directly if funds are used for certain allowable activities (e.g., quarantine without treatment in a hospital facility) and are identified in revised budgets and work plans. *Funds distributed to IN (\$14.8M), KY (\$7.4M) and OH (\$23M+)*

❑ Who is Eligible?

- ✓ States determine eligibility but can fund Hospitals and healthcare providers.

❑ How to Apply?

- ✓ HHS allocated funds to eligible states. States may fund providers directly for allowable expenses. In most instances states will distribute automatically.

❑ Important Dates

- ❖ Funding was awarded to localities on March 16, 2020.

FUNDING FOR BEHAVIORAL HEALTHCARE PROVIDERS

Phase 3 General Distribution:

- On October 1, 2020, President Trump announced \$20 billion in new funding.
- Eligibility
 - Providers who previously received, rejected or accepted a General Distribution Provider Relief Fund payment. Providers that have already received payments of approximately 2% of annual revenue from patient care may submit more information to become eligible for an additional payment.
 - Behavioral Health providers, including those that previously received funding and new providers are included.
 - New healthcare providers that began practicing January 1, 2020 through March 31, 2020. This includes Medicare, Medicaid, CHIP, dentists, assisted living facilities and behavioral health providers are including.
- November 6, 2020 is the deadline to apply for Phase 3 funding.

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In conclusion:

- Maintain detail supporting records including a clean audit trail with the timing clearly delineated
- Any incomplete/inaccurate/non-compliant information could result in payment recoupment and/or other ramifications
 - Important to understand all of the terms and conditions
- References to assist in maintaining appropriate records and documentation are as follows:
 - 45 CFR § 75.302 – Financial management
 - 45 CFR § 75.361 through 75.365 – Record Retention and Access

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- Avoid submitting expenses or lost revenue that have been reimbursed from other sources or that other sources are obligated to reimburse
- Meet the reporting deadlines such as February 15, 2021 and July 31, 2021 for HHS Funds
- Funding Guidance Continues to Evolve - Stay Tuned!
- We are here to help! Please contact us for any specific assistance needed.
- **THANK YOU!**

Questions and Comments