



Life After COVID

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1

The NACHC Mission



America's Voice for Community Health Care

The National Association of Community Health Centers (NACHC) was founded in 1971 to promote efficient, high quality, comprehensive health care that is accessible, culturally and linguistically competent, community directed, and patient centered for all.

2

Disclaimer

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- The materials are being issued with the understanding that the authors are not engaged in rendering legal or other professional services. **If expert assistance is required, the services of a competent professional with knowledge of your specific circumstances should be sought.**

3

**PRESENTER: EDWARD
"TED" WATERS**



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- Well known for his expertise in federal grants, government reimbursement, payment and administrative issues, and his strategic handling of organizations facing crises, Ted has been selected as a "Super Lawyer" for Health Care in Washington, D.C. again in 2021.
- Ted has been counsel to numerous health centers and other recipients of federal funds in the past 25+ years as well as many other entities such as managed care organizations and federal contractors, and has represented clients in front of federal and state courts, administrative tribunals, Offices of Inspector General and federal agencies. Of particular note, Ted has been lead counsel representing Health Centers and PCAs in various legal challenges to implementation of Medicaid PPS requirements.
- Ted has been Managing Partner of Feldesman Tucker since 2003 and has taught the first law school class in the country on federal grant programs at the George Washington University School of Law for the past several years.

4

**PRESENTER: Jeff Allen,
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- Jeff is a member of BKD National Health Care Group and leader of the firmwide Community Health Centers Center of Excellence. He manages audit and cost report preparation services and provides consulting services in the areas of Medicare and Medicaid reimbursement, federal grant reporting and operational issues. Jeff also serves as a firmwide resource regarding federal audit guidelines and their application to community health centers.
- His expertise is routinely called upon by the National Association of Community Health Centers (NACHC), state primary care associations and the Bureau of Primary Health Care for financial analysis of issues important to community health centers. He serves as a resource to state primary care organizations and state Medicaid programs on Medicaid prospective payment system issues and the cost report submission and settlement process specific to state Medicaid programs. He also provides training to individual health center management teams and boards of directors on financial management issues.

5

**PRESENTER: Catherine
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- Working as a member of the BKD National Health Care Group, Catherine provides financially focused consulting services to Community Health Centers.
- Her services include performing assessments of financial operations, clean-up work to assist in preparation for financial statement audits and assistance with monthly financial reporting and review of information. She frequently helps clients strengthen financial departments through education, mentoring and through the provision of technical assistance.
- Catherine is frequently involved with projects that assess CHC program compliance with various programs including the Health Center and 340B programs. She assists with the preparation of numerous types of federal reports and budget submissions as well as the review, analysis and audits of 340B programs and contractual relationships. In addition, she provides training to help CHCs comply with federal regulations, including the Uniform Guidance (2 CFR < 200) and Section 330 of the PHS Act.

6

Agenda

1 Current Environment

2 Prepare for COVID Audits/Lessons Learned from ARRA Audits

3 Planning for Life After COVID

4 Prepare for What?

5 Final Thoughts/Questions

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7

7

Current Environment

8

The PRF Portal Is Open

Portal opened for reporting July 1, 2021

Organizations that received funds prior to June 30, 2020, must report by September 30, 2021

Organizations that received funds after June 30, 2020, will be required to wait to report

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

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9

9

PRF Expenses

How does a Reporting Entity determine whether an expense is eligible for reimbursement through the Provider Relief Fund? (Modified 7/1/2021)

To be considered an allowable expense under the Provider Relief Fund, the expense must be used to **prevent, prepare for, and respond to coronavirus**. Provider Relief Fund payments may also be used for lost revenues attributable to the coronavirus...Reporting Entities are not required to submit that documentation when reporting. **Providers are required to maintain supporting documentation which demonstrates that costs were obligated/incurred during the period of availability. The burden of proof is on the Reporting Entity to ensure that adequate documentation is maintained.**

- COVID Related Expenses
 - Direct costs
 - Incremental Costs
 - Not reimbursed by other sources



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10

Lost Revenue

Lost Revenues Reimbursement
 PRF payment amounts (including SNF and Nursing Home Infection Control Distribution payments) not fully expended on health care-related expenses attributable to coronavirus may then be applied to patient care lost revenues, if applicable. Documentation requirements for lost revenues calculations are further defined within the [Data Elements](#) section below. Reporting users choose to apply PRF payments toward lost revenues using one of these options, up to the amount:

- Option II: of the difference between actual patient care revenues.
- Option III: of the difference between budgeted (prior to March 27, 2020) and actual patient care revenues.
- Option III: calculated by any reasonable method of estimating revenues.

Revenue calculation:

- Lost revenue by quarter
 - Not just in reporting portal but in the actual calculation
- Not required to net with "other assistance received"
- If no lost revenue in a given quarter
 - Required to still report info but
 - Amount of lost revenue used in the calculation is zero for that quarter
 - NOT required to net revenue gains

➢ Controls around quarterly close important



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11

PRF Reporting Portal

- Prepare, review, and approve submission – Determine what this process will look like for your organization
 - Always remember, the burden of proof to support submission is on the provider – document, document, document.
 - Financial Statement Reporting (GAAP / Single Audit Considerations)
 - Expenses vs. Lost Revenues
 - Prepare your audit file now – data relied on, justification / logic, conclusion
 - Prepare support now while information fresh.. Better than justifications in a year..
 - Should my organization submit the report in portal if complete?



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12

UGG Documentation?

- What parts of the UGG – Uniform Grants Guidance Apply to this funding?
 - Subpart F: Audit Requirements
 - Compliance Supplement will have rules auditors follow to audit
 - Financial Management – 45 CFR 75.302
 - Internal Controls – 45 CFR 75.303
 - Document Retention – 45 CFR 75.361 – 75.365
 - Retain documents through retention period – 3 years for Federal Funding
 - Lessons from past OIG audits...
 - Pandemic Response Accountability Committee..



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13

Provider Relief Fund FAQ's...

Must Federally Qualified Health Centers (FQHCs) and FQHC Look-Alikes fully draw down COVID-19 supplemental grant awards before using Provider Relief Fund payments for eligible expenses and lost revenues attributable to coronavirus? (Added 7/1/2021)

Grant funds awarded to FQHCs and FQHC Look-Alikes for costs for expenses or losses that are potentially eligible for payments under the Provider Relief Fund would need to be utilized until fully drawn down before Provider Relief Fund payments could be used during the applicable period of availability. The Provider Relief Fund requires that funds not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. If FQHCs or FQHC Look-alikes have incurred expenses or losses attributable to coronavirus that these grant awards do not cover, they may use Provider Relief Fund payments towards those expenses or losses.



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14

PRFs – Single Audit Considerations

- First time PRFs will be on SEFA for FYE June 30, 2021
- "In-relation-to" financial statements will be off due to different measurement periods
- Compliance supplement released August 2021!!!!

June 30, 2021 - December 30, 2021	December 31, 2021 - June 29, 2022	June 30, 2022 & Beyond
SEFA total expenditures and/or lost revenues from Period 1	SEFA total expenditures and/or lost revenues and Period 1 and Period 2	Guidance will be provided later



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15

Speaking of the 2021 Compliance Supplement – OMB Finally Fixed Provider Relief Fund (93.498) Section & See This:

B. Allowable Costs/Cost Principles

While 45 CFR 75 Subpart E – Cost Principles do not apply to the PRF, charges to the PRF must be necessary, reasonable, accorded consistent treatment, and conform to the limitations and exclusions of the terms and conditions of the award. The PRF Frequently Asked Questions referenced under Availability of Other Information above provides additional guidance and examples (<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/faqs/index.html>).

Find Compliance Supplement(s) here: <https://www.whitehouse.gov/omb/office-federal-financial-management/>



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16

GAAP Considerations

- Quarterly cutoff procedures
- Subsequent events – recognized vs. non-recognized
- Period of availability vs. measurement period for lost revenue



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17

Prepare for COVID-19 Supplemental Audits
Common Findings and Lessons Learned from American Recovery and Reinvestment Act (ARRA) Audits

18

<h2 style="margin: 0;">High Risk Elements – COVID – 19 Funding</h2> <ul style="list-style-type: none"> • Double dipping – Allocating an expense to more than one funding stream • Inadequate records to support to support administrative requirements related to grant funding.. • Programmatic performance reporting related to funding.. • Future audits of COVID-19 Funding <ul style="list-style-type: none"> • HHS Office of Inspector General • HRSA Division of Financial Integrity • Financial Statement Audits <ul style="list-style-type: none"> • 2021 Compliance Supplement finally released on August 12, 2021 	<h2 style="margin: 0;">Lessons Learned from the ARRA Audits:</h2> <ul style="list-style-type: none"> ➢ Policies and Procedures – essential to consistency ➢ Applications and Budgets – advance agreement on what comes next ➢ Reporting Protocols – keeping track of where you got numbers and why ➢ Allowable Costs – T&E and Fair Allocations are Highest Risk ➢ Grant Administration – Inventory, Drawdowns, Closeout
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19

Lesson Learned from ARRA: Supplement Rules (No Double-Dipping)

This means that a grantee may not reduce state, local, or other non-federal funds because federal funds are available (or expected to be available) to fund that same activity.

The statutory language is often: "any Federal funds received under X grant shall be used to supplement, not supplant, non-federal funds that would otherwise be available for X grant activities."

Not all grants include this requirement.

Applicants or award recipients may be required to demonstrate and document that a reduction in non-federal resources occurred for reasons other than the receipt of expected receipt of federal funds.

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20

Lesson Learned from ARRA: Quarterly Reporting

Create written policies and procedures to ensure data is available when the report is due

Systematize the collection of the required data elements that are captured by you and your subrecipient for quarterly reporting

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21



Federal Audits have started: Select Document Requests from OIG

Requirement: Tracking Grant Funds & Budget to Actual Analysis.

1. A detailed list of expenditures claimed for each COVID-19 supplemental grant, including a summary by showing total amount charged to each of these grants: H8C, H8D, and H8E

Note:

- H8C refers to the grants provided as a result of the \$100 million allocated under the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020
- H8D refers to the grants provided as a result of the \$1.32 billion allocated under the Coronavirus Aid, Relief, and Economic Security (CARES) Act
- H8E refers to the grants provided as a result of the \$584 million allocated under the Paycheck Protection Program and Health Care Enhancement Act (PPPHEA)



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22

Federal Audits have started: Select Document Requests from OIG

Requirement: Tracking/Procurement/Allowable Costs

8. Please provide a schedule of all purchases that were allocated to COVID-19 supplemental grants, including a brief description of use. For each purchase, please provide all relevant copies of supporting documents such as purchase order invoice, and proof of payment (i.e. cancelled check, bank statement showing payment amount or other documents that clearly show a payment was made for said purchase and the payment date). Also, if applicable please provide the following:
 1. Bidding documents
 2. A copy of the fully executed contract with detailed terms and conditions
 3. For tangible items costing more than \$5,000 or more, please provide a photograph of the item in service.



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23

Lessons Learned from ARRA Audits: Maintaining an Adequate Financial System

Common Findings re: Financial Management of Grants during the HHS OIG ARRA Audits

- Financial System did not separate Federal from non-Federal Funds
- Financial System did not track and account for Recovery Act expenditures separately from other operating expenses
- Unallowable costs
- Draw-Downs did not match Financial System Information
- Ability to spend funds timely
- Effective Internal Controls
- Problems fully expending the funds

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24

**Next Sample from OIG:
Document Request List**

Tracking Grant Funds

2. A comparison schedule for HRSA-approved budget, actual expenditures incurred, and COVID-19 supplemental funds drawn down.

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25

**Lessons Learned from ARRA Audits:
What You Said In Your Application Matters**

Is the expense supporting an activity or cost approved in the application?

- Professional and Contracted Services** - It is important to appropriately distinguish between a professional service relationship (consultant/vendor) and a sub-recipient agreement as there are budget implications related to the applicable indirect costs and differing monitoring requirements.
- Capital Outlay** - Check the applicable federal contract or grant to verify that property (equipment) is included in the budget.
- Budget Amendments** - Be aware of budget changes that require prior approval and amendments.

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26

**Next Sample from OIG:
Document Request List**

Cost Allocation Policies

3. Health center's policy on paying salaries under unexpected or extraordinary circumstances, if applicable.

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27

Lessons Learned from ARRA Audits: Policies & Procedures

"Policies and procedures did not adequately describe the processes, authorizations, records and other internal controls required to maintain effective control and accountability for all grant cash, real and personal property, other assets and to adequately safeguard all such property and assure that it was used solely for authorized purposes."

Sample of Inadequate Policies and Procedures found during the HHS OIG ARRA Audits related to:

- Maintaining Federal funds in insured accounts
- Protecting whistleblowers
- Accounting for property
- Federal Deposit Insurance Corporation (FDIC) deposit limits
- Equipment inventory records
- Federal grant reporting

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28

Next Sample from OIG: Document Request List

Time & Effort

6. For all employees/contractors, whose salaries were charged to COVID-19 supplemental grants, please provide the following:

- Professional licenses, if applicable
- For contractors, please provide a copy of the executed contract with detailed terms and conditions, including invoices/billing records and proof of payment
- Time and attendance records, if maintained
- Documentation showing time spent working on COVID-19 supplemental grants, including supervisor's approval, if applicable
- Payroll register/summary (please provide this in excel format showing all the relevant data elements such as employee name, payroll ID, gross pay amount, pay-period, payroll date etc.)

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29



Lessons Learned from ARRA Audits: Time & Effort

Personnel related findings:


- Overstatements the number of jobs created
- Improperly charging payroll costs based on estimates
- Inadequate time and effort and labor distribution systems
- Lack of other types of required personnel documentation

Activity related findings:

- Funds used for services at unauthorized service sites
- Draw-downs not matching financial system information
- Inadequate segregation of Recovery Act funds in the accounting system
- Failure to fully comply with quarterly Recovery Act reporting requirements

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30




Planning for Life After COVID

31

Planning for the Future

- In times of crisis, thinking only about surviving the day can cause a loss of focus on strategically thinking about the future
- Now is the time to start thinking life after COVID
 - Stimulus funding didn't fix operational problems, provider productivity, revenue cycle breakdowns, non-sustainable sites, etc.
 - Many have made the statement "We are fine now" and have not made substantive changes – merely the existence of cash changes the mindset
 - Stimulus dollars will eventually be gone




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32

Planning for the Future

- As CHC leaders, it is important to always be thinking about tomorrow and not lose focus based on today's fires
- Every decision made in the health center has a financial consequence to that decision – sometimes those consequences are not fully seen for years
- What can be done today to make sure the health center is stronger after the pandemic than it was before the pandemic?




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33


What Can be Done?

- Using funds to strengthen grants management programs
- Adding bench strength to the finance department
- Updating IT & data capabilities
 - Chief Information Officer?
 - Cybersecurity upgrade
 - Updating systems where needed
- Cost analysis, revenue cycle improvements, provider compensation review, etc.



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34



Prepare for What?

35

Challenges & Opportunities Ahead

Typical challenges facing CHCs of Tomorrow


Upstream
Competition


Regulatory
Compliance


Staffing &
Productivity


Accounting
Standards


Payment
Reform

Revenue Recognition | Information Technology Concerns | Managed Care | Aging Population | 340b Reform Protected Health Information | Medicaid PPS Changes | Benchmarking
 Population Health | Advanced Payment Models




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36

Prepare for What

- Upstream competition
- Wal-Mart, Walgreens, etc. dynamic
- Aging population (having a Medicare strategy)
 - Are you prepared for increased demand?
 - Do you have adequate facilities?
 - Do you have enough providers?
- Value-based reimbursement

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37

 **Final Thoughts & Questions?**

38
