



Provider Relief Allowable Expenditures

One of the most common questions we get is “What expenses can we claim for reimbursement from the Provider Relief Funds?” HHS must have been hearing this question as well as on December 11, 2020 they released a document called Provider Relief Fund (PRF) Allowable Expenses Overview which can be found [here](#). We have provided a picture of the document and included the information contained in the picture on the next page of this document which has links to the information referenced in the Allowable Expenses Overview – December 11, 2020.

The Overview references final reporting requirements which are dated November 2, 2020. In this document it lists the types of expenses that are allowable as well. We have included this information on page 3 and called it Provider Relief Funds – Expenses Attributable to Coronavirus.

Additionally, on December 11, 2020, HHS updated their FAQs and there are now 22 FAQs on the use of funds with 6 being added or modified on December 11, 2020 **including an FAQ that indicates additional taxes paid due to Provider Relief Funds are an allowable use of Provider Relief Funds.** The FAQs can be found [here](#) and we have provided a picture of the FAQs that were changed or modified on December 11, 2020 in this document and one picture of the FAQ related to salaries and wages.

Provider Relief Fund (PRF)

Allowable Expenses Overview – December 11, 2020



Overview:

This document is **intended to clarify the intent and provide examples** of allowable expenses for the use of PRF General and Targeted Distribution payments. This is **not an exhaustive list of allowable expenses**, but will help to inform and support providers as they categorize expenses for reporting on use of funds.

Use of funds guidance:

The **final reporting requirements** state that PRF payments can be used towards **health care-related expenses attributable to coronavirus** that another source has not reimbursed and is not obligated to reimburse, which may include General and Administrative (G&A) or health care-related operating expenses.

Reference the [reporting FAQs](#) for additional details and guidance.

G&A expense examples:

Mortgage/rent: rent for a clinical setting, medical office building, etc.

Insurance: property, malpractice, or other business insurance

Personnel: direct employee expenses for staff such as nurses, administrators, or support personnel

Fringe benefits: health insurance, childcare assistance, overtime pay, hiring bonuses, or retention payments to expand or maintain patient care capacity

Lease payments: diagnostic equipment leases or clinical care software leases

Utilities/operations: HVAC services, environmental services for cleaning, or food and nutrition services

Health care-related expense examples:

Supplies: N95 or surgical masks, gowns, temperature monitoring devices, or cleaning agents

Equipment: ventilators, HVAC systems or improved filtration for infection control, or lab and radiology diagnostic equipment

Information technology: telehealth software and hardware, improved internet services to support increased telehealth or remote working, or new Electronic Medical Record modules to support patient care

Facilities: temporary Emergency Department expansions for patient volume increases, inpatient unit retrofits to accommodate COVID-19 or other patients, or outpatient clinic enhancements for improved infection control

When considering if an expense is allowable under the use of funds policy, ask yourself:

- Is this expense **necessary and reasonable** to support patient care efforts to prepare for, prevent, or respond to coronavirus?
- Is this expense incurred **consistent with our organization's policies and procedures**?

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Provider Relief Funds – Expenses Attributable to Coronavirus

General and Administrative Expenses Attributable to Coronavirus²

The actual G&A expenses incurred over and above what has been reimbursed by other sources.

- a. **Mortgage/Rent:** Monthly payments related to mortgage or rent for a facility.
- b. **Insurance:** Premiums paid for property, malpractice, business insurance, or other insurance relevant to operations.
- c. **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.³
- d. **Fringe Benefits:** Extra benefits supplementing an employee's salary, which may include hazard pay, travel reimbursement, employee health insurance, etc.
- e. **Lease Payments:** new equipment or software lease.
- f. **Utilities/Operations:** Lighting, cooling/ventilation, cleaning, or additional third party vendor services not included in "Personnel".
- g. **Other General and Administrative Expenses:** Costs not captured above that are generally considered part of overhead structure.

Healthcare Related Expenses Attributable to Coronavirus²

The actual healthcare related expenses incurred over and above what has been reimbursed by other sources.

- a. **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.
- b. **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.

² As noted above, 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.

³The Terms and Conditions associated with each PRF payment do not permit recipients to use PRF money to pay any salary at a rate in excess of Executive Level II which is currently set at \$197,300. For the purposes of the salary limitation, the direct salary is exclusive of fringe benefits and indirect costs. The limitation only applies to the rate of pay charged to PRF payments and other HHS awards. An organization receiving PRF may pay an individual's salary amount in excess of the salary cap with non-federal funds.

- c. **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.
- d. **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.
- e. **Other Healthcare Related Expenses:** Any other actual expenses, not previously captured above, that were paid to prevent, prepare for, or respond to the coronavirus.




FAQ on Expenses Attributable to Coronavirus added or modified on December 11, 2020

Use of Funds

[Are expenses related to securing and maintaining adequate personnel reimbursable expenses under the Provider Relief Fund? \(Added 12/11/2020\)](#) 

Yes, expenses incurred by providers to secure and maintain adequate personnel, such as offering hiring bonuses and retention payments, child care, transportation, and temporary housing, are deemed to be COVID-19-related expenses if the activity generating the expense was newly incurred after the declaration of the Public Health Emergency and the expenses were necessary to secure and maintain adequate personnel.

[Are outsourced or third-party vendor services that enable access to health care services reimbursable expenses under the Provider Relief Fund? \(Added 12/11/2020\)](#) 

Yes, outsourced or third-party vendor services that enable sustained access to health care services and daily operations, such as food/patient nutrition services, facilities management, laundering, and disinfection/anti-contamination services, are considered reimbursable expenses if they are attributable to coronavirus.

[Can providers use Provider Relief Fund payment to pay taxes? \(Added 12/11/2020\)](#) 

Yes. HHS considers taxes imposed on Provider Relief Fund payments to be “healthcare related expenses attributable to coronavirus” that are reimbursable with Provider Relief Fund money, except for Nursing Home Infection Control Distribution payments.

When reporting my organization's healthcare expenses attributable to coronavirus, how do I calculate the "expenses attributable to coronavirus not reimbursed by other sources?" (Modified 12/11/2020)

Healthcare related expenses attributable to coronavirus may include items such as supplies, equipment, information technology, facilities, employees, and other healthcare related costs/expenses for the calendar year. The classification of items into categories should align with how Provider Relief Fund recipients maintain their records. Providers can identify their healthcare related expenses, and then apply any amounts received through other sources, such as direct patient billing, commercial insurance, Medicare/Medicaid/Children's Health Insurance Program (CHIP), or other funds received from the Federal Emergency Management Agency (FEMA), the Provider Relief Fund COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured, and the Small Business Administration (SBA) and Department of Treasury's Paycheck Protection Program (PPP) that offset the healthcare related expenses. Provider Relief Fund payments may be applied to the remaining expenses or costs, after netting the other funds received or obligated to be received which offset those expenses. The Provider Relief Fund permits reimbursement of marginal increased expenses related to coronavirus. For example, assume the following: A \$5 increase in expense or cost to provide an office visit is calculated by pre-pandemic cost vs. post-pandemic cost, regardless of reimbursement source:

- Pre-pandemic average expense or cost to provide an office visit = \$80
- Post-pandemic average expense or cost to provide an office visit = \$85

Examples of reimbursed amounts may include, but not be limited to:

- Example 1
Medicaid reimbursement: \$70 (Report $\$85 - \$80 = \$5$ as expense attributable to coronavirus but unreimbursed by other sources)
- Example 2
Medicare reimbursement: \$80 (Report $\$85 - \$80 = \$5$ as expense attributable to coronavirus but unreimbursed by other sources)
- Example 3
Commercial Insurance reimbursement: \$85 (Report \$5, commercial insurer did not reimburse for \$5 increased cost of post-pandemic office visit)
- Example 4
Commercial Insurance reimbursement: $\$85 + \5 insurer supplemental coronavirus-related reimbursement (Report zero since insurer reimbursed for \$5 increased cost of post-pandemic office visit)
- Example 5
COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured: \$80 (Report \$5 as expense attributable to coronavirus but unreimbursed by other sources)

[Funds from the Federal Emergency Management Administration \(FEMA\) are generally intended to be the last source of reimbursement, however, the Post-Payment Notice of Reporting Requirements indicates that FEMA funds would be applied prior to the Provider Relief Fund distributions. In which order should governmental funding sources be applied and reported? \(Modified 12/11/2020\)](#)

As it relates to expenses, providers identify their health care-related expenses, and then apply any amounts received through other sources (e.g., direct patient billing, commercial insurance, Medicare/Medicaid, reimbursement from the Provider Relief Fund COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured, or funds received from FEMA or SBA/Department of Treasury's Paycheck Protection Program) that offset the health care-related expenses. Provider Relief Fund payments may be applied to the remaining expenses or cost, after netting the other funds received or obligated to be received which offset those expenses.

[Do providers report total purchase price of capital equipment or only the depreciated value? \(Modified 12/11/2020\)](#)

Providers who use accrual or cash basis accounting may report the relevant depreciation amount based on the equipment useful life, purchase price and depreciation methodology otherwise applied.

For additional information on capital depreciation, please refer to the other Frequently Asked Questions related to capital equipment and capital facility projects.

[Can providers allocate parent overhead costs to the entities that received CARES Act Provider Relief Funds? \(Added 10/28/2020\)](#)

Yes, providers that already have a cost allocation methodology in place, may allocate normal and reasonable overhead costs to their subsidiaries which may be an eligible expense if attributable to coronavirus and not reimbursed from other sources.

What is included in use of funds for salaries and employee compensation? (Added 10/28/2020)

Direct employee (full and part-time), contract labor, and temporary worker expenses are eligible expenses provided they are not reimbursed from other sources, or only the incremental unreimbursed amounts are claimed.

The Terms and Conditions associated with each Provider Relief Fund payment do not permit recipients to use Provider Relief Fund money to pay salaries at a rate in excess of Executive Level II which is currently set at \$197,300. For the purposes of the salary limitation, the direct salary is exclusive of fringe benefits and indirect costs. The limitation only applies to the rate of pay charged to Provider Relief Fund payments and other HHS awards. An organization receiving Provider Relief Fund payments may pay an individual's salary amount in excess of the salary cap with non-federal funds.

An example of how this Executive Level II Salary cap is applied to aggregated personnel expenses is shown below. Reimbursement from other sources is applied in Step Two. Providers should apply reasonable assumptions when estimating the portion of personnel costs that are reimbursed from other sources.

Step One

Personnel Category	Number of Personnel	Personnel Expenses	Personnel Expenses (Below Salary Cap)	Ineligible for Federal Reimbursement
Medical Director	1	\$250,000	\$197,300	\$52,700
Registered Nurses	25	\$1,250,000	\$1,250,000	0
Security	2	\$80,000	\$80,000	0
	28	\$1,580,000	\$1,527,300	\$52,700

Step Two

Personnel Expenses (Below Salary Cap)	Less FEMA Reimbursement	Less Reimbursement from other sources	Eligible Personnel Expenses
\$1,527,300	\$(50,000)	\$(1,000,000)	\$477,300

Will the Provider Relief Fund limit qualifying expenses for capital equipment purchases to 1.5 years of depreciation, or can providers fully expense capital equipment purchases? (Added 11/18/2020)

Expenses for capital equipment and inventory may be fully expensed only in cases where the purchase was directly related to prevent, prepare for and respond to the coronavirus. Examples of these types of equipment and inventory expenses include:

- Ventilators, computerized tomography scanners, and other intensive care unit- (ICU) related equipment put into immediate use or held in inventory
- Masks, face shields, gloves, gowns
- Biohazard suits
- General personal protective equipment
- Disinfectant supplies

Can providers include the entire cost of capital facilities projects as eligible expenses, or will eligible expenses be limited to the depreciation expense for the period? (Added 11/18/2020)

Expenses for capital facilities may be fully expensed only in cases where the purchase was directly related to preventing, preparing for and responding to the coronavirus. Examples of these types of facilities projects include:

- Upgrading a heating, ventilation, and air conditioning (HVAC) system to support negative pressure units
- Retrofitting a COVID-19 unit
- Enhancing or reconfiguring ICU capabilities
- Leasing or purchasing a temporary structure to screen and/or treat patients
- Leasing a permanent facility to increase hospital or nursing home capacity

Lost Revenue Calculation and Invoice

The second step in computing the reimbursable amount from the Provider Relief Funds is to calculate the “lost revenue” or the reduction in net patient revenue in 2020 as compared to 2019. RHCs typically do not have robust accounting systems due to their small relative size with many having 5 or few employees. Quickbooks is mostly used for the day-to-day accounting and paying of bills and payroll.

If that is your situation, you may want to run the Quarterly Profit and Loss Summary report for 2019 and 2020. You and take this report and quickly compare your quarterly net patient revenue in 2019 and 2020 to determine how much “lost revenue” you have.

[When reporting use of funds, how will my organization's "lost revenues attributable to coronavirus" be calculated? \(Added 10/28/2020\)](#)

Lost revenues attributable to coronavirus are calculated based upon a calendar year comparison of 2019 to 2020 actual revenue/net charges from patient care (prior to netting with expenses).

The amount of lost revenues eligible for reimbursement through the Provider Relief Fund is capped at the change in 2019 to 2020 actual revenue from patient care related sources, less the Provider Relief Fund amount used to cover healthcare expenses attributable to coronavirus not reimbursed by other sources.

Reporting Entities with unused funds after December 31, 2020, must submit a second and final report no later than July 31, 2021 that includes patient care related revenue and expenses for January 1–June 30, 2021.

Note: Reported patient care revenue is net of uncollectible patient service revenue recognized as bad debts.

We have added the FAQs from HHS to help you determine your “lost revenue” as well as a sample letter that we created to include in your Provider Relief Funds file as you drawn down your Provider Relief funds from the separate bank account you should the funds in. If you need us to do this calculation and produce the actual letter like the one in the example, just send us your Quarterly Profit and Loss Summary reports for 2019 and 2020 and we will make the calculation and create the letter. There is no charge if we prepare a full cost report for your (not low or no utilization) clinic. If you are not one of our full cost report clients, the charge is \$300.

[What is the maximum allotment of my organization's Provider Relief Fund amount that can be allocated to lost revenue in 2020? \(Added 10/28/2020\)](#)

Unreimbursed expenses attributable to coronavirus are considered first in the overall use of funds calculation. Provider Relief Fund payment amounts not fully expended on unreimbursed healthcare related expenses attributable to coronavirus are then applied to lost revenues for 2020, which is capped at the change in 2019 to 2020 actual revenue from patient care (i.e., patient care revenue in 2019 less patient care revenue in 2020).

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.

December 11, 2020

Office Manager
 Anytown RHC
 100 Main Street
 Mayberry, North Carolina

Dear Office Manager

We have reviewed your Profit and Loss Statements for the first three quarters of 2020 and 2019 comparing net patient revenue from 2019 to 2020. Based upon the unaudited profit and loss statements from the clinic and current HHS guidance as presented in the Final Reporting Data Elements dated November 2, 2020¹ we have determined that lost patient revenue of \$137,740 can be attributable to Covid-19 and is eligible for disbursement from your Provider Relief Fund account for the first 9 months of 2020. Here is a summary of our calculation:

Provider Relief Funds				
Lost Revenue Calculation				
11-Dec-20				
Please provide net patient revenues for 2019 and 2020 broken down by quarter. This information will be used to determine lost revenues due to coronavirus.				
Net Patient Revenues for 2019 and 2020 Broken Down by Quarter				
2019				
Jan-Mar 2019	Apr-June 2019	July-Sept 2019	Oct-Dec 2019	Total
308,149	235,168	228,624	-	771,941
2020				
Jan-Mar 2020	Apr-June 2020	July-Sept 2020	Oct-Dec 2020	Total
251,242	214,743	168,216	-	634,201
Lost Revenue Calculation			To Be Computed	
56,907	20,425	60,408	-	137,740
				Amount Available for Drawdown

If you have any questions about the computations, please let me know. I would recommend drawing down these funds before the end of the calendar year. Happy Holidays and stay safe.

Sincerely,

Mark R. Lynn
 Mark R. Lynn, CPA, CRHCP
 RHC Consultant

¹ <https://www.hhs.gov/sites/default/files/post-payment-notice-of-reporting-requirements-november-2020.pdf>



Hazard Pay

We have received several questions related to Hazard Pay recently. HHS and Medicare guidance are ever changing, but here are our thoughts on Hazard Pay. There is nothing authoritative about the answers and if you something works or is more reasonable, please let us know. We are like everyone else, trying to comprehend the myriad of confusing and conflicting rules.

1. Is Hazard pay an allowable expense for Provider Relief Funds purposes.
 - a. Yes, on page 3 of the Post-Payment Notice of Reporting Requirements published by HHS, you can find the following: “Fringe Benefits: Extra benefits supplementing an employee’s salary, which may **include hazard pay**, travel reimbursement, employee health insurance, etc.”

Source: <https://www.hhs.gov/sites/default/files/post-payment-notice-of-reporting-requirements-november-2020.pdf>
2. Which employees are eligible for the Hazard Pay from the PRF grant (front office, provider, nurse, etc.?)
 - a. All would eligible. Everyone is taking a risk by being there. Granted the nurses and providers have more close contact than do most of the front office workers, but still there is a hazard to anyone in the RHC.
3. Can we back pay to the beginning of COVID?
 - a. Yes, that would be reasonable
4. What would be your suggested payment amount per month per each type of employee?
 - a. It is hard to know what HHS will say is reasonable, but we are competing with hospitals that pay much more than we do. Here are some general guidelines:
 - i. Front office - normal pay around \$15 per hour, hazard pay at \$2.50 per hour, or about \$400 per month if working full time.
 - ii. Nurses/LPN/Back office - normal pay around \$20 per hour, hazard pay at \$5 per hour or about \$800 per month if working full time.
 - iii. Providers - PA/NP - normal pay \$50 per hour, hazard pay \$10 per hour or about \$1,600 per month if working full time.
 - iv. Providers – MD/DO – normal pay \$125 per hour, hazard pay \$20 per hour or about \$3,200 per month if working full time.
5. If we do pay hazard pay, at what point in the future would the PRF be settled where we would know for sure if HHS would accept the use of the money and not ask for it back?
 - a. That is the problem, it is a leap of faith. You must pay the monies to even get a chance of them accepting it, so if you do not pay you are not going to get to keep it. But, if you pay it, they may not allow it or find it unreasonable. You will not know that until late next year at the earliest is my estimate.