



Health Care

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CPAs & Advisors

Everyone needs a trusted advisor. Who's yours?

Meet the BKD Team:



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Grants Management Update: COVID-19 Edition

October 2020 Update

A dark, moody photograph of a stethoscope resting on a clipboard with a pen, serving as a background for the top section of the slide.

Agenda

- Order of spending suggestions
- Provider Relief Funding
- High Risk Compliance Elements
- SBA PPP Loans
- CARES Act grants
- Grants management reminders
- Uniform Grant Guidance Update

Compliance Strategies

1

- Analyze funding streams and restrictions (**subject to change!**)

2

- Forecast future pool of expenses based on current knowledge...

3

- Develop a plan to match most restrictive funding streams to expenses first – **ORDER OF SPENDING**

4

- Prepare budgets / spending strategies that align with step 3

5

- Follow **Grants Management Principles** while spending HRSA and other funds available to your Health Center

Compliance Strategies

1 Families First Corona Virus Response Act (FFCRA)

2 Payroll Protection Program (PPP)

3 Telehealth Grant Funding

4 Capital Assistance for Disaster Response and Recover Efforts (CADRE) Funding

5 COVID-19 Award #3 – Expanded Capacity for Coronavirus Testing (ECT)

Compliance Strategies

6 HRSA COVID-19 Awards - #1 and #2

Program
Income??

7 330 Grant Supplemental Awards - IBHS,
Quality, SUD-MH (year 2)

8 CARES Act Provider Relief Funds -
Distributions 1 and 2, Rural, High Impact
Areas, Others...

9 330 Grant (base funds)

10 Stay tuned.... And be prepared to re-
analyze funding and order of spending!!

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Provider Relief Funding – Action Items

- All action items are subject to change with new guidance
 1. Assess funding – preceding slides
 2. Calculate calendar year 2019 measurements
 3. Calculate calendar year 2020 year-to-date
 4. Project results for remainder of 2020
 5. If concerns - consider adjustments for the remainder of the year

Provider Relief Funding – Action Items

2. Calculate calendar year 2019 measurements
 - Recognize it is not your fiscal/audit period
 - Utilize internal financial statements to determine the 2019 calendar operating result
 - Precise definition of operating result may differ from GAAP
 - Confirm any audit adjustments for 2019 have been posted
 - This is your baseline
 - If you had an operating loss for 2019 = breakeven 2020
 - If you had an operating income for 2019 = baseline for 2020 – meaning you cannot earn provider relief funds that put you over that threshold

Provider Relief Funding – Action Items

3. Calculate calendar year 2020 year-to-date

- Similar to 2019 basis
- Consider current results

4. Project results for remainder of 2020

- Most will use current trendlines first
 - Use recent months that approximate activity for the remainder of the year
- Consider what portion of grant funding you anticipate being earned through year-end

Provider Relief Funding – Action Items

- 2020 definitions
 - Feels like an ever changing discussion
 - Yes it seems to include most things
 - SBA PPP, CARES Act, PRF, state grants, donations, etc.
 - Pending guidance on capitalizable expenditures
 - Best guess is they will be included
- Theory question
 - Can provider relief revenues drop to the bottom line?
 - Result in additional profitability?

Provider Relief Funding – Action Items

5. If concerns...

- What if we are projecting 2020 will have an operating margin in excess of the threshold?
- Are there provider relief funds we are going to carry over to 2021?
 - Operating margin now applies to 2021 quarters compared to same 2019 quarters
- Are there additional expenditures that can/should be incurred prior to 12/31/20?
- Are there revenues that can be lawfully and appropriately deferred after the PRF measurement period?

Provider Relief Funding

- Evolving funding expectations
 - Recommended approach – expense
 - Lost revenues?
 - July 31st, 2021...
- Funding calculations?
- Purpose
 - The term “healthcare related expenses attributable to coronavirus” is a broad term that may cover a range of items and services purchased to prevent, prepare for, and respond to coronavirus

A dark, moody photograph of a stethoscope resting on a clipboard with a pen, serving as a background for the title.

Provider Relief Funding

- Examples
 - Supplies used to provide healthcare services for possible or actual COVID-19 patients
 - Reporting COVID-19 test results to government
 - Workforce training
 - Equipment used to provide healthcare services for possible or actual COVID-19 patients
 - Acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing & technology to expand or preserve care delivery

Provider Relief Funding

- Examples – continued
 - Building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated
 - Employee or contractor payroll
 - Equipment lease payments

Provider Relief Funding

- Examples – continued
 - Employee health insurance
 - Electronic health record licensing fees
 - Rent or mortgage payments
- Salary cap still applies (\$197,300)



Provider Relief Funding

- Accounting for provider relief
 - Conditional contribution – ASU 2018-08
 - Conditional barriers
 - Funds subject to return if terms and conditions not met
 - Funds recognized as income when the conditions are met
 - No recognition of revenue prior to receiving funds
 - Operating revenue if expended for operating expense
 - Unrecognized should be disclosed as conditional contributions in the notes to the financial statements

Provider Relief Funding

- Auditing
 - Subject to Single Audit requirements
 - CFDA 93.498 Provider Relief Fund General and Targeted Distribution
 - CFDA 93.461 Uninsured Testing and Treatment reimbursement payments
- Type A major program > \$750,000
- Release date for compliance supplement and expected testing???

Provider Relief Funding

- Reporting – evolving – see 9/19/20 notice
 - Becomes available...now says early 2021
 - Initial report still says due February 15, 2021
 - Expenditures through the period ending December 31, 2020
 - If all funds have been expended in full prior to December 31, 2020 may submit a single final report
 - Second and final report due by July 31, 2021

High Risk Compliance Elements

- Double dipping – allocating an expense to more than one funding stream



High Risk Compliance Elements

- Inadequate records – documentation
 - Support the administrative requirements
- Programmatic performance reporting
- Future audits
 - HHS Office of Inspector General
 - HRSA Division of Financial Integrity
 - Financial Statement Audits
 - Will COVID related compliance supplement be released prior to this presentation?

Financial Statement Audit Impact

- Materially correct financial statements
 - Will subsequent rules impact revenue recognized?
- Single audit testing
 - When will we know how to test provider relief funding?
 - Will that materially alter revenue recognized



A dark, moody photograph of a stethoscope resting on a document with a grid pattern, likely a ledger or financial statement. The lighting is low, creating a professional and serious atmosphere.

SBA PPP Loans

- Forgiveness application process
 - Expenses
 - Full-time equivalents
 - Safe harbors
- Changing legislation possible?
- Accounting
 - Loan or a contribution...it depends
- Monitor FAQ's and forgiveness application

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CARES Act Grants

- Good fundamental grants management key
- Be careful with the Expanded Capacity for Coronavirus Testing (ECT)
- Watch for restrictions if additional grant funding
- How are you tracking/supporting expenses?
 - Part of your CHC cluster of funding
 - Expect to get asked about expenditures for testing

Grants Management Reminders

- Financial Management
 - Requirements for tracking grant funds
 - Cash management
 - Fixed assets and property standards
- Carryover reminders



Grants Management Reminders

- Standards for Documentation of Personnel Expenses
 - Comply with established organization policies & procedures
 - “Charges to federal awards for salaries and wages must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated”
 - “Reasonably reflect the total activity for which the employee is compensated by the non-federal entity; not exceeding 100% of compensated activities”
 - “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one federal award”

Grants Management Reminders

- Budgeting
 - Planning, changes, and adjustments
 - Budget to actual analysis
 - Budget on every line of the budget – why?
 - What are the re-budgeting thresholds for each grant?
 - Approval of the budget – Board/management
 - Can you load your budget into your G/L system?

Grants Management Reminders

- Procurement
 - Micro-purchase updated: typically less than \$10,000
 - Simplified acquisition threshold updated \$250,000
 - Small purchases would be between thresholds
 - Do you have a procurement policy compliant with federal requirements?
 - Are you documenting compliance?

Bonus – UGG Update

- Effective dates, overview and other
- Subawards
- Procurement
- Indirect Cost Rates



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UGG Effective Date

- November 12, 2020
- Technically pending HHS adoption for HHS awards
- Grants beginning after effective date
- Note most CARES Act grants were issued before the effective date
- What does 200.XXX versus 75.XXX mean?

UGG Overview

- Few significant, but some clarification changes
- Many administrative and procedural changes
 - Skipping addressing reference, organizational changes – few have memorized CFR reference #'s
- Modified language for FASB lease standard
- Budget Period emphasis
 - Stressing that future budget periods are not a guarantee of future awards – just a reference

UGG Overview

- Executive Orders
 - To be applicable would have to be publicly accessible on searchable database
 - AND key – referenced in some way on the award document
- Performance-Based Focus
 - Increased emphasis of program accomplishments and effectiveness
 - Practically little change, but could impact awarding and reporting on grants

UGG Other

- Reporting due dates extended to 120 days from 90 days – subrecipients still 90 days
 - Impacts closeout dates as well
- Minor revisions to the termination process
 - If grant is terminated – not normal ending
- Closeout
 - Grantor can make financial adjustments to a previously closed award (i.e. resolving indirect cost payments & final payments)

UGG Other

- Change from CFDA to ALN
 - No longer Catalogue of Federal Domestic Assistance
 - Now Assistance Listing Number
- Clarified allowable costs must “be incurred during the approved budget period”



UGG Subawards

- Pass-through entities must recognize NICRA's
 - If none: negotiate, adopt previous, use de minimis
- Clarifies passthrough entities only responsible for addressing findings in single audit reports related to their subawards
- Never contract with the enemy
 - Prohibit funding (subawards or contracts) to persons actively opposing the US (engaged in hostilities)

UGG Procurement

- Adopt \$10,000 micro purchase threshold
 - Clarifying micro-purchases (“MPT”) require no competitive procurement
 - Potential for clean audits to annually elect MPT of up to \$50,000
 - With approval of cognizant agency for indirect costs, MPTs could potentially raise above \$50,000
 - Commentary - proceed with caution on \$50,000 limit
- Domestic preference – positive efforts
- Huawei Ban
 - Limitations on foreign telecommunications equipment

UGG Indirect Cost Rate

- De Minimis broadened
 - “No documentation is required to justify the 10% indirect cost rate”
 - Just document you don’t double dip
- Publication most grantees key NICRA information
 - (Negotiated Indirect Cost Rate Agreement)
- Key Change - You may now use if you previously had a NICRA – previously only eligible if you never had one

Questions?

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