NATIONAL ASSOCIATION OF
Community Health Centers®

THE ENDING OF PUBLIC HEALTH EMERGENCY: FINANCE

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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.

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AGENDA

1 POST PANDEMIC CONSIDERATIONS

2 PREPARE FOR AUDIT

3 LEGAL FALLOUT FROM THE PUBLIC HEALTH EMERGENCY (PHE)

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POST PANDEMIC
CONSIDERATIONS

“The only thing we know about the future is that it will be different”

–PETER DRUCKER

OVERVIEW OF CONCERNS

- American Rescue Plan (ARPA) funds will be discontinued March 31, 2023
- Millions will lose their Medicaid coverage after the public health emergency ends
- Staffing concerns are widespread from primary care physicians to front desk clerks
- Inflation concerns

ARPA FUNDS DISCONTINUED

- Many health centers have used these one-time grant funds on recurring expenses

- New revenue streams must now be used to pay for these expenses
    - VBR considerations – High level finance

- Good time to be looking into forecasting the next 2-3 years to help determine if financial difficulties are on the horizon

Medicaid Coverage

- Many health centers will see a shifting of their payor mix if many lose their Medicaid coverage
- Just a shift of 1% from Medicaid to self-pay could result in a material reduction in operating revenue
- Again, forecasting the risk is important – what is the health center's potential exposure?

STAFFING ISSUES

- Shortage of primary care physicians
- Industry is also starting to feel a real shortage of finance professionals
- Same for billing department, front desk, etc.

INFLATION

- The cost of everything is going up at a fairly rapid pace
- Payment rates are being updated at an increase of 2-4% usually, but when costs are increasing by more than 10%, many will see major margin erosion in 2023 and after
- Cost of hiring high-end professionals (CEOs, CFOs, physicians) are going up at record levels

BE PROACTIVE!

- If the finance department is functioning properly, financial difficulties should not "sneak up" on any health center

- Perform a financial forecast looking at reasonable assumptions of revenue streams and projected expenses – this should be a 2-3 year look forward

- Obtain data showing financial results from each operating location and each department as a whole (medical, dental, pharmacy, etc.)
  - What operational changes could be made to limit negative financial outcomes?
  - Are revenue opportunities being missed? Look at metrics to help determine
  - Look at staffing and productivity models to help increase efficiencies
  - Communicate, communicate, communicate – everyone has to be on the same page

PREPARE FOR
AUDIT

CURRENT GRANTS MANAGEMENT ENVIRONMENT AND OVERSIGHT

How will a health center know who to contact when they have questions about their grant?

As we transition to this new organizational design, BPHC will notify health center leaders and their respective Primary Care Association. This notice will come from staff in one of our two new offices. It will include the new BPHC points of contact by grant award and designation (i.e., H80 or Look-Alike) type. BPHC points of contact will also reach out to health centers for an introductory call. (Please note: HRSA Grants Management Specialists (GMS) are not part of this transition.)

Below are the BPHC points of contact by grant award and designation type to use once your health center has transitioned:

- H80s/Look-Alikes: H80/Look-Alike Project Officer email
- COVID-19 funding (H8C-F, C8E, L1C, L2C and H2C): Supplemental Project Officer email
- National Hypertension Control Initiative, Primary Care HIV Prevention, School-Based Service Sites supplemental awards: BPHC Contact Form
- Native Hawaiian funding (H1C): H1C Project Officer email

In addition, we are conducting a Point of Contact pilot to expand the use of the BPHC Contact Form as:

- The hub for health center interaction with BPHC, and
- A way for specialized teams to perform shared program monitoring and funding oversight.

(Added: 12/6/2021)

THE FEDERAL AUDITS OF COVID AWARDS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDIT SERVICES, REGION II
JACOB K. JAVITS FEDERAL BUILDING
26 FEDERAL PLAZA, ROOM 3900
NEW YORK, NY 10278

August 2, 2021

Report Number: A-01-21-12345

Dear Mr. Health Center:

The U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) is conducting an audit of COVID-19 supplemental grant funding awarded to health centers by the Health Resources and Services Administration (HRSA). The objective of our audit is to determine whether health centers in selected counties used their COVID-19 supplemental grant funding in accordance with Federal requirements and grant terms.

To accomplish our objective, we will review COVID-19 supplemental grant funds awarded by HRSA to health centers during Federal fiscal year (FY) 2020 to prevent, prepare for, and respond to COVID-19. These grant funds include (1) FY 2020 Coronavirus Supplemental Funding for Health Centers (H8C), (2) Health Center Coronavirus Aid, Relief, and Economic Security Act Funding (H8D), and (3) FY 2020 Expanding Capacity for Coronavirus Testing Funding (H8E). We selected for review a random sample of health centers that received COVID-19 supplemental grant funding from HRSA. Your health center was among those selected for review.

THE FEDERAL AUDITS OF COVID AWARDS

1. A detailed list of expenditures claimed for each COVID-19 supplemental grant, including a summary showing total amount charged to each of these grants: H8C, H8D and H8E. Please provide separate Excel spreadsheets for each grant and include references to the supporting documentation provided, e.g., file name and specific page number (if a file contains more than 10 pages).

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

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

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4. Total number of employees/contractors that the health center had at the beginning and at the end of each year: 2019, 2020, and 2021, including a description of any issues or barriers that the health center faced in maintaining its staffing levels during the pandemic, if applicable.

5. A schedule of staff/contractors whose salaries were charged to COVID-19 supplemental grants. Please use this template to create the schedule, if possible.

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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 data, etc.).
   - If employee salaries or contractor costs were charged to multiple funding sources (e.g., H8D, H80, etc.), provide documentation (in Excel format showing salary allocations to all funding sources, if available.

THE FEDERAL AUDITS OF COVID AWARDS

7. For employees who were hired using COVID-19 supplemental grant funds, please provide a copy of the personal action form and position description.

8. Please provide a schedule of 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 the 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:
    - Bidding documents
    - A copy of the fully executed contract with detailed terms and conditions.
    - For tangible items costing $5,000 or more, please provide a photograph of the item in service.
    - Inventory list for laptops/tablets (iPads)/computers purchased with COVID-19 supplemental grants, including funding source (i.e., H8C, H8D, or H8E), purchase date, purchase price, amount charged to grant, serial number, tag number, assigned user (name and job title), and current location.

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9. Please provide all relevant supporting documentations for any other expenditures that were charged to COVID-19 supplemental grants, including the following:
    - Description and justification of the activity.
    - Date, cost, and the grant the cost was allocated to (H8C, H8D, or H8E).
    - Invoice/copy of executed service contract.
    - Proof of payment (i.e., cancelled check, bank statement showing the payment amount or other documents that clearly show a payment was made for said purchase/service including the payment date.)
    - Training materials/brochures/Sign-in-sheets, call-logs and training certificates, if applicable.

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10. General ledger transactions and/or journal entries for draw downs and expenditures of COVID-19 grants funds, including bank statements that contained COVID-19 grant funding drawdowns and expenditures as of now or the date by which your health center finished spending COVID-19 supplemental grants funding, please highlight the relevant amount.

11. Please provide a list of individuals that the health center performed COIVD-19 screening tests through May 31, 2021, with the following data elements: test recipient's patient ID, date of vaccine administered, and service location.

12. Please provide a list of individuals that the health centers administered COVID-19 vaccines through May 31, 2021, with the following data elements: vaccine recipient's patient ID, date of vaccine administered, and service location.

THE FEDERAL AUDITS OF COVID AWARDS

13. If applicable, please provide a list of patients who received treatment for COVID-19 through May 31, 202, with the following data elements: patient ID, date of treatment visit, and service location.

14. 2019, 2020, and 2021 Uniform Data System (UDS) Reports.

15. If applicable, please provide a copy of the health center's indirect rate agreement with HHS that covers years 2020 and 2021. If there is no indirect rate agreement in place, please indicate the rate that the health center allocates to Federal wards.

16. Please provide a copy of the income statement for the years ended in 2018, 2019, 2020, and 2021. Please indicate whether the income statement provided is audited.

PROVIDER RELIEF FUND UPDATE

- Provider Relief Funds
  - Constantly changing guidance
  - Period 4 reporting unknowns

- Important considerations
  - Lost revenue carryforward
  - Expense considerations
    - Direct or Incremental COVID expenses
    - Plan now for September 2022 reporting (also phase III distribution)

- Phase 4 Considerations
  - Think strategically
  - Lost Revenue or expenses through December 31, 2022

Presented by: Edward “Ted” Waters
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LEGAL FALLOUT FROM PHE

- Medicaid
  - Eligibility Changes
  - Rate Setting Disputes Continue
- Governance –
  - Staying in Your Lane
  - Perpetual Interim CEO situation
- COVID Dollars Direct to Health Centers
  - Coming to an End
  - Desire to Spend all the Money
- SLFRF Flow-Down
  - Federal Interest
  - Sub-Recipient Relationship

MEDICAID

CONTINUOUS ELIGIBILITY REQUIREMENT – NO MORE!

- The PHE will end on May 11
- **The Consolidated Appropriations Act (CAA) of 2023, enacted 12/29/22, impacted end-of-PHE unwinding for Medicare and Medicaid**
- There are many Medicare impacts for FQHCs from end of PHE – see here (https://www.cms.gov/files/document/rural-health-clinics-and-federally-qualified-health-centers-cms-flexibilities-fight-covid-19.pdf).
    - However, most of the Medicare flexibilities that will be reversed as of last day of the PHE are minor issues for FQHCs
    - The main Medicare PHE flexibility of note to FQHCs – the expansion of telehealth services to FQHCs as distant site providers, and other telehealth flexibilities – has been expanded to 12/31/2024 due to CAA 2023.

HOW DID WE GET HERE – Medicaid...

- For Medicaid, the CAA required that beginning 4/1/23, states begin dropping from Medicaid rolls individuals who ceased to meet the criteria during the PHE
  - As background,
    - The Medicaid regs at 42 CFR 435.916 require (for non-MAGI eligibility groups) that eligibility be redetermined "at least every 12 months" – that is, states can redetermine benes' eligibility more frequently than annually, and many do
    - Additionally, States are required to have a process for Medicaid beneficiaries to report changes in circumstances that would affect their Medicaid eligibility
  - The FFCRA law of 2020 provide for a 6.2% increase in FMAP increase during PHE. As condition for increase, states were required to do the following:
    - Ensure that those who qualified for Medicaid as of 1/1/20 remained eligible until end of PHE (referred to as "continuous eligibility")
      - [Note, States still had discretion as to intervals for redetermining eligibility, and many continued to make eligibility redeterminations – but they were required to keep people on the rolls nonetheless.]
    - Agree not to institute eligibility criteria any stricter than those that existed as of 1/1/20 (maintenance of effort)
    - Provide for Medicaid coverage of COVID testing and treatment without cost-sharing

CONSOLIDATED APPROPRIATION ACT OF 2023

- De-linked end of continuous eligible from the PHE – States will begin the “unwinding” as of **4/1/23** [there is a detailed timeline here: https://www.medicaid.gov/federal-policy-guidance/downloads/cib010523.pdf]
- Provided for tapering off of the 6.2% FMAP bump as of 4/1/23 (concluding at end of 2023)
- States will begin the redetermination process in sequential manner, and CMS has encouraged States to do this in a staggered fashion so as to minimize sudden impacts
    - States can’t disenroll anyone on the basis of returned mail until they’ve tried via other methods to contact them
    - Additionally, States can apply for special waivers under 1902(e)(14) to ease some of the data requirements for eligibility redetermination (for example, SNAP eligibility can be used as a proxy for Medicaid eligibility) – see this SMDL, Section V https://www.medicaid.gov/federal-policy-guidance/downloads/sho22001.pdf
- As a concession to pass this legislation, the law provided for the following, which allows for more continuity for certain populations:
    - There will now be a required 12 months of continuous eligible for kids in Medicaid [this was previously only an option]
    - States are allowed to have a 12-month period of postpartum coverage for women in Medicaid
- Note, additionally, that the American Rescue Plan Act expanded the populations eligible for subsidies on Exchange plans. We will see Medicaid patients becoming uninsured, and hopefully, some transitioning over to Exchange plans

GOVERNANCE

GOVERNANCE/MANAGEMENT MIS-STEPS DURING COVID

- Using Texts, Chat, Teams, Zoom to undermine chain of command e.g., Board members advocating for employees with management
- Poor Communication; Lack of Trust results in assumptions about motivations that can be highly inaccurate
- Jumping into one-time emergency solutions such as hiring relatives to be in supervisory relationship (nepotism) and not revisiting now that PHE is over
- Chaos at the top – Board/CEO at loggerheads; failure to understand roles and responsibilities; no HRSA will not fix it!
- Perpetual Interim CEOs
    - Lack of understanding damage done to Health Center in terms of planning, morale, ability to operate

COVID MONEY PITFALLS

LET'S USE UP ALL THE MONEY

1. One time raises to all employees for one or two pay periods and then revert

2. Bonuses
   - for no performance-based reason
   - Signing bonuses – great to start but for how long? Repayment isn't realistic option. Staggered?
   - Retention bonuses – same deal

3. Increase 403(b) contribution for one or two quarters and revert when money gone

4. Increasing payroll or pay scale; decreasing productivity; no plan when (COVID $$) music stops

REASONABLENESS OF COMPENSATION 45 C.F.R. § 75.430(B)

- Compensation is reasonable if it is consistent with the amount the non-Federal entity pays for similar work in non-federally funded activities

- If no similar work, compensation is reasonable if it is comparable to what is paid for similar work in the labor market in which the non-Federal entity competes

- Salary surveys are not required but may be useful if delving into "creative" arrangements..
  - Local Non-profits/government entities
  - Purchase industry surveys
  - Engage a consultant to conduct your own

INCENTIVE COMPENSATION 45 C.F.R. § 75.430

(f) Incentive compensation. Incentive compensation to employees **based on cost reduction, or efficient performance, suggestion awards, safety awards**, etc., is allowable to the extent that the **overall compensation is determined to be reasonable** and such costs are paid or accrued pursuant to an **agreement** entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to **an established plan** followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.

IN SHORT

- Decisions should be based on business related reasons such as performance or longevity or even being hired...

- Allowable to the extent that overall compensation is reasonable (consider wage comparability study) and pursuant to written P’s & P’s

- Should promulgate a policy/procedure on incentive compensation
  - Threading a needle: Detailed enough to constitute a plan, flexible enough to implement without high risk of errors

STATE AND LOCAL FISCAL
RECOVERY FUND

WHAT IS IT?

- $350B of federal funds to States and Localities to mitigate damage from Pandemic
  - Can be payments to beneficiaries or sub-grants
  - Administered by U.S. Dept. of Treasury

- Increasingly, the funds are making way to FQHCs for
  - Construction mostly
  - Subject to Uniform Guidance (2 CFR part 200), meaning
    - Procurement rules (but pre-award costs ok)
    - Construction contract rules
    - Federal Interest rules
  - Often sub-recipient agreement is hodge-podge of legal requirements, what you sign!

- As Treasury is not typically grant making agency, who do you call in 10 years...?

QUESTIONS?

THANK YOU!

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