

# Provider Relief Fund

## Lost Revenues Guide - Reporting Period 2

As specified in the [PRF Post-Payment Notice of Reporting Requirements](#), June 11, 2021, Provider Relief Fund (PRF) recipients who received one or more payments exceeding \$10,000 in the aggregate during a Payment Received Period are required to report in each applicable Reporting Period.

This Guide is for information purposes as providers consider their options to account for lost revenues in the reporting process. When reporting lost revenues, providers do not need to account for a specific expense to “use” funding by the deadline. Instead, they need to be able to document that the loss occurred during the relevant time period. As explained in more detail below, providers have three options for accounting for lost revenues. This Guide aims to convey the flexibility and range of options for documenting lost revenues. It is not intended as legal advice. Please reference the [PRF Reporting webpage](#) and [reporting-specific Frequently Asked Questions](#) for more reporting information.

### Lost Revenues Reimbursement

PRF payment amounts (excluding Nursing Home Infection Control Distribution payments) may be applied to patient care lost revenues. “**Patient care**” means health care, services and supports, as provided in a medical setting, at home/telehealth, or in the community.

The following list shows items **not** considered patient care - including (but not limited to):

- Insurance
- Non-Patient Care Dining Services
- Fundraising Events
- Prescription sales revenues
- Grants or tuition
- Amounts of charity care adjustments
- Bad debt
- Retail, auxiliary, or parking services
- Real estate revenues (exception for nursing and assisted living facilities’ real estate revenues where resident fees are allowable)
- Amounts of contractual adjustments from all third party payers
- Any gains and/or losses on investments

**Documentation requirements** for lost revenues calculations are defined within the *Data Elements* section in the [Reporting Requirements Notice](#) and summarized below:

Lost Revenues Options	Option i	Option ii	Option iii
<i>Definition of Option</i>	<i>difference between actual patient care revenues</i>	<i>difference between budgeted and actual patient care revenues</i>	<i>any reasonable method of estimating revenues</i>
<b>PRF Reporting Portal option</b>	2019 Actual Revenue	Budgeted Revenue	Alternate Reasonable Methodology
<b>Base period for calculation</b>	2019	2020 and 2021	Not prescribed*
<b>Calculation method</b>	Actuals vs. Actuals	Budget vs. Actuals	Not prescribed *
<b>Frequency of Calculation</b>	Quarterly	Quarterly	Quarterly
<b>Duration of lost revenues period</b>	Each quarter during the period of availability	Each quarter during the period of availability	Each quarter during the period of availability in which lost revenues were determined
<b>Service lines to include in revenues</b>	All patient care services	All patient care services	All patient care services ( <i>as appropriate for methodology</i> )
<b>Budget approval date</b>	Not applicable	Before March 27, 2020	Not prescribed *

Lost Revenues Options	Information Needed for Reporting Lost Revenues
<b>Option i</b> <i>difference between actual patient care revenues</i>	<ul style="list-style-type: none"> <li>Actuals for each quarter during the period of availability</li> <li>Actuals for 2019</li> </ul>
<b>Option ii</b> <i>difference between budgeted and actual patient care revenues</i>	<ul style="list-style-type: none"> <li>Actuals for each quarter during Period of Availability</li> <li>Budgets for each quarter during the Period of Availability</li> <li>Copy of the budget approved before March 27, 2020</li> <li>Executive-level attestation</li> </ul>
<b>Option iii</b> <i>any reasonable method of estimating revenues</i>	<ul style="list-style-type: none"> <li>Calculated lost revenues for each quarter during the Period of Availability</li> <li>A narrative document describing the methodology, including an explanation of why the methodology is reasonable for the circumstances, and a description establishing how lost revenues were attributable to coronavirus (as opposed to a loss caused by any other source);</li> <li>A calculation of lost revenues attributable to coronavirus using the methodology described in the narrative document.</li> </ul>

## Examples of Lost Revenues Options

### Option i. Actuals

Consider using this option if you have:

- Actual revenues from 2019 which are comparable to 2020 and 2021 (i.e., apple-to-apples)

#### Example 1:

Publicly listed Alpha Beta Corporation (ABC) was a diversified medical provider and owner of 100 hospitals in the Midwest. According to ABC's consolidated audited financial statements the 2019 quarterly patient care revenues were \$20M/quarter. Patient care revenues dropped in 2020 and the first two quarters of 2021 to \$10M/quarter, after which they increased for the last two quarters of 2021. ABC will include all patient care revenues in the PRF report and the report will calculate lost revenues of \$10M a quarter for all of 2020 and the first two quarters of 2021 for a total amount of lost revenues which can be applied towards PRF payments of \$60M. When the provider comes in to report in Reporting Period 2 (RP2), if the provider did not already apply the entire \$60M to payments in Reporting Period 1 (RP1), the provider will be able to apply the remaining unreimbursed lost revenues up to the PRF payments received and not used on expenses attributable to coronavirus in RP2.

#### Example 2:

##### 123 Hospital Lost Revenues Calculation (Actual 2020 - Actual 2019)

	Q1	Q2	Q3	Q4
Actual 2020 patient care revenues*	4,713,922	6,857,066	5,879,121	6,419,246
Actual 2019 patient care revenues*	5,741,470	6,510,785	6,456,168	5,543,586
Calculation	<b>(1,027,548)</b>	<b>346,281</b>	<b>(577,047)</b>	<b>875,660</b>

##### 123 Hospital Lost Revenues Calculation (Actual 2021 - Actual 2019)

	Q1	Q2	Q3	Q4
Actual 2021 patient care revenues*	4,852,507	5,089,008	6,890,362	6,325,421
Actual 2019 patient care revenues*	5,741,470	6,510,785	6,456,168	5,543,586
Calculation	<b>(888,963)</b>	<b>(1,421,777)</b>	<b>434,194</b>	<b>(781,835)</b>

\* Aggregate of all patient care revenue sources

##### 123 Hospital Lost Revenues eligible for reimbursement using PRF payment

	Q1	Q2	Q3	Q4	Total
2020	(1,027,548)	0	(577,047)	0	(1,604,595)
2021	(888,963)	(1,421,777)	0	(781,835)	(3,092,575)
					<b>\$ (4,697,170)</b>

## Option ii. Budgets

Consider using this option if you have:

- An approved budget prior to March 27, 2020 which covers the entire period of availability
- Budgeted revenues that are comparable to 2020 and 2021 actual revenues (i.e., apple-to-apples)
- An Executive level attestation that the budget was approved prior to March 27, 2020

### Example 3:

In 2020 a privately held medical conglomerate “RAHS Medical, Inc.” (RMI) was newly formed. RMI has a June 30 fiscal year end (FYE). The RMI FYE 2020 and 2021 budgets were approved by the Board of Directors on March 1, 2019 and March 1, 2020, respectively. The budgeted patient care revenues were for \$100,000 each quarter in 2020 and \$200,000 for each quarter in 2021. As of July 1, 2021 the actual patient care revenues were for \$75,000 each quarter of 2020 and 2021. During RP1, RMI entered the budgeted revenue amounts and the actual revenue amounts in the PRF Reporting Portal. The PRF report calculated lost revenues of \$25,000 for each quarter of 2020 and \$125,000 for the two completed 2021 quarters for a total amount of lost revenues which can be applied towards PRF payments of \$350,000. When RMI reports in Reporting RP2, the 2021 budget only covers the period of availability for RP1 and does not cover the period of availability for RP2. Therefore, RMI selects the alternate reasonable methodology path for RP2 and submits the necessary information and the calculated amounts for each quarter of the Period of Availability covered in RP2, which is \$400,000. The PRF Reporting Portal then calculates total lost revenues available to use by taking the current Reporting Period lost revenues \$400,000 (using the alternate reasonable methodology) and reduces the available amount by \$350,000 (amount previously applied to lost revenues in RP1). The remaining \$50,000 is available to apply the RP2 payments received and not used on expenses attributable to coronavirus in RP2.

### Example 4:

#### XYZ Medical Company Lost Revenues Calculation = (Actual - Budget)

	Q1	Q2	Q3	Q4
Actual 2020 patient care revenues*	103,970	78,532	52,245	49,534
Budgeted 2020 patient care revenues*	63,933	65,842	107,267	94,571
Calculation	<b>40,037</b>	<b>12,690</b>	<b>(55,022)</b>	<b>(45,037)</b>

	Q1	Q2	Q3	Q4
Actual 2021 patient care revenues*	57,377	64,298	53,842	61,891
Budgeted 2021 patient care revenues*	67,677	57,919	59,063	62,785
Calculation	<b>(10,300)</b>	<b>6,379</b>	<b>(5,221)</b>	<b>(894)</b>

\* Aggregate of all patient care revenue sources

#### XYZ Medical Company Lost Revenues eligible for reimbursement using PRF payments

	Q1	Q2	Q3	Q4	Total
2020	0	0	(55,022)	(45,037)	(100,059)
2021	(10,300)	0	(5,221)	(894)	(16,415)
					<b>\$ (116,474)</b>

## Option iii. Alternate Reasonable Methodology

By law, providers can use “any reasonable method” to document lost revenues. Option iii provides significant flexibility for providers because it allows providers to account for their unique circumstances, particularly where Options i or ii may not appropriately capture their situation (e.g., adding a new service, which made revenue appear higher than an apples-to-apples comparison; major changes in response to COVID-19 preventing planned changes that would have generated more revenue; etc.).

Providers **must** maintain source documentation that fully supports the narrative and methodology (documentation should be maintained by the provider for the record retention period of 3 years after the submission of the report).

The calculated amount of lost revenues for the PRF program **must not be** included in the calculation of lost revenues for another Federal program, such as the CARES Act Higher Education Emergency Relief Fund (i.e., no double-dipping).

### **Example of how Option iii may provide flexibility for individual circumstance:**

A provider received funds on November 1, 2020 and December 18, 2020 and is getting ready to report in RP2. This entity has 12 service lines in their organization during the period of availability, but one of those was not established until June 2020. For comparability purposes, when calculating lost revenues from patient care services, the provider omitted the new service line and used only the patient care revenue from 11 services lines for calculating lost revenues for the entire Period of Availability.

*\*\* This scenario is an example to show a way in which an organization ensures comparability and consistency in approach when calculating lost revenues. It is not a determination of reasonableness and the applicability of this approach will depend on the circumstances of the provider and the supporting documentation*

## **Best practices when developing a reasonable methodology for lost revenues calculation:**

- Measure the amount of baseline revenue and lost revenues consistently (i.e., an “apples-to-apples” comparison).
  - Example, if the patient care revenues associated with a new non-COVID related service are excluded on your PRF report, those patient care revenues should be excluded in both the baseline and comparison. Expenses associated with those services should also be excluded from healthcare expenses attributable to coronavirus on the PRF Report.
- Give consistent treatment (e.g., (1) if using the fiscal year as a baseline, estimate lost revenues over the course of a fiscal year; (2) if patient care revenues are consolidated in your financial statements you should report the consolidated amount in your PRF report).
- Be consistent with policies and procedures and apply them uniformly to federal and other sources of funds.
- Check to ensure any amounts fully covered through direct expenses in lost revenues are not included (e.g., if the provider used PRF payments as a direct expense to account for an increase in patient encounter cost by charging all expenses which contribute to the patient encounter cost, providers should not *also* factor the margin in its calculation of lost revenues).
- The same approach used for lost revenues calculation should be used in any subsequent Reporting Periods.