



## EXECUTIVE MEMO

To: Executive Directors, DSN Boards  
CEOs, Private Providers  
Finance Directors

From: CFO Pat Maley

Re: Impact of COVID-19 Federal Funds on DDSN Cost Reports

Date: July 20, 2021

The purpose of this memo is to set a meeting for 9:30AM, Tuesday, July 27, 2021, via Microsoft Teams to discuss with providers and their auditors the impact(s) from COVID-19 Federal Funds on their financial statements and cost reports. The Microsoft Teams link information will be set forth at the end of this memo.

There have been many formal and informal discussions on the impact of COVID-19 Federal Funds on DDSN Cost Reports, most notably the CARES Act Provider Relief Fund (PRF) and the Small Business Administrations' Paycheck Protection Program (PPP). DDSN's general guidance has been these federal payments can't be used for expenses reimbursed by DDSN. COVID-19 funds are to supplement existing federal funding and not supplant DDSN federal Medicaid funds for services. DDSN has to maintain the integrity of its funds being expensed and reflected on provider cost reports to establish adequate Certified Public Expenditures to avoid a cost settlement payment to SCDHHS, as well as serve as an accurate record for consideration for future rate increases.

On August 26, 2020, the CMS released information in a Medicare Fee-for-Service Billing FAQ document (pages 115-119). The document sets guidance on how the PRF and PPP forgivable loans would be treated on cost reports.

### **Medicare Cost Report Guidance—Provider Relief Fund**

Providers must report PRF payments in aggregate on the statement of revenues. Providers shouldn't adjust expenses on the cost report based on PRF payments, including use of the funds toward lost revenue. Payment will be **used to prevent, prepare for, and respond to coronavirus, and reimburse healthcare-related expenses or lost revenues attributable to coronavirus.**

Payment will not be used for expenses or losses that have been or will be **reimbursed from other sources.**

## **Medicare Cost Report Guidance--SBA Paycheck Protection Program (PPP) Loan Forgiveness**

Small Business Administration (SBA) forgiveness for a Paycheck Protection Program (PPP) loan must be reported in aggregate on the cost report's statement of revenues, as well as the amount forgiven, if applicable. Providers shouldn't offset the PPP loan forgiveness amount against expenses on the cost report.

### **Other Issues**

Other issues with potential impact on cost reports raised are:

- How to handle potential provider indirect costs allocated to activities' costs outside of the DDSN services in a cost report, such as PRF and PPP forgivable loans, as required for Medicaid cost reporting;
- 10% FMAP funding;
- Appendix K retainer payment for 40% of lost revenue during an approximate 90 day period in 2020;
- Impact on cost reports from at-home funding being capitated for first six months of FY21 (July 20 – December 20) and fee-for-service for the second six months (January 21 – June 21); and
- Consideration for DDSN to establish a CPA firm advisory board to provide input similar to what the Department of Education currently does.

DDSN is currently conducting preliminary analytical testing of PPP providers' FY19 and FY20 cost reports to assess the potential impact of PPP on FY20 cost reports. These preliminary results will be shared at the meeting.

I ask participating Finance Directors and their external auditors be prepared to contribute their experiences and observations on the above topics at the 9:30AM meeting on Tuesday, July 27, 2021, via Microsoft Teams. After our discussion, DDSN will consider options to assist with additional guidance to simplify to the extent possible.

Microsoft Team's information to virtually attend the meeting:

#### **Join on your computer or mobile app**

[Click here to join the meeting](#)

#### **Or call in (audio only)**

[+1 803-567-1681,,940063257#](#) United States, Columbia

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