

## Compliance Today – April 2021 CARES Act reporting obligations

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By Marti Arvin

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This is the first column in a series written by Marti Arvin about compliance issues related to the CARES Act.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided needed pandemic financial relief for healthcare organizations. Entities receiving funding under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act have certain reporting obligations related to the use of those funds that started February 15, 2021.<sup>[1]</sup> In its post-payment notice of reporting requirements, issued January 15, 2021, the Department of Health & Human Services outlined methods for reporting on the use of the funds issued under CRRSA.<sup>[2]</sup> The amount of funds received ties to the level of reporting detail required.

The funds are permitted to be used for healthcare-related expenses attributable to the coronavirus that other sources have not reimbursed. If the funds received are not fully expended for healthcare expenses attributable to the coronavirus, they can be expended on lost patient care revenue. If the funds are applied to lost revenue, there are three methods to calculate the revenue loss.

Funds can be applied to the difference between 2019 and 2020 actual patient care revenue, or between 2020 budget and actual patient revenue, or a calculation by any reasonable method of estimating revenue. If the 2020 budget versus actual calculation is used, the recipient must have created their 2020 budget prior to March 27, 2020. If the alternative reasonable method is used, the recipient must submit the methodology used, an explanation of why it is reasonable, and how the lost revenue was attributable to the coronavirus versus a loss caused by another reason. Entities using the alternate methodology are at higher risk for an audit by the Health Resources and Services Administration. If the Health Resources and Services Administration does not agree the method is reasonable, then the entity will be put on notice and required to resubmit using one of the other methods within 30 days.

If the funds received were not fully expended in calendar year 2020, recipients have been given an additional six months to use the funds. However, there are some caveats. The remaining balance can be used for the same types of expenses or lost revenues but only in an amount that does not exceed the difference between quarters one and two of 2019 and quarters one and two of 2021 actual revenue, or quarters one and two of 2020 budgeted to quarters one and two of 2021 actual revenue. The use of these funds must be reported by July 31, 2021.

The reporting obligations will require that healthcare organizations ensure a thorough and accurate method for accounting for their use of the funds to avoid enforcement action.

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<sup>1</sup> U.S. Department of Health & Human Services, “HHS Announces Provider Relief Fund Reporting Update,” news release, January 15, 2021, <http://bit.ly/3aRII8j>.

<sup>2</sup> U.S. Department of Health & Human Services, “General and Targeted Distribution: Post-Payment Notice of Reporting Requirements,” January 15, 2021, <https://bit.ly/2M6hDjg>.

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