DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services Administration

Rockville, MD 20857

October 8, 2021

Alan Morgan
Chief Executive Officer
National Rural Health Association
7015 College Blvd., Suite 150
Overland Park, KS 66211

Dear Alan Morgan:

Thank you for your letters regarding the U.S. Department of Health and Human Services' (HHS) Provider Relief Fund (PRF). The PRF is administered by the Health Resources and Services Administration (HRSA) and I appreciate the opportunities that HRSA and the National Rural Health Association have had to discuss PRF payments and reporting requirements over the last several months.

As you know, HRSA announced the availability of $25.5 billion in new funding for health care providers. This funding includes the $8.5 billion in American Rescue Plan rural funding, as well as an additional $17 billion for Phase 4 of the PRF General Distribution. In order to streamline the application process and minimize administrative burden, a single application portal opened on September 29, 2021, allowing providers to apply to both programs. We appreciate your help informing rural providers about this new opportunity, particularly small and rural providers that focus on Medicaid services and have not received PRF payments before. More information on Phase 4 and American Rescue Plan rural payments can be found by visiting: https://www.hrsa.gov/provider-relief/future-payments.

We recognize the crucial role rural providers play in responding to the COVID-19 pandemic. Your previous letters raise a number of issues that are particularly important to these providers, and we value the feedback you provided on behalf of your members and welcome our continued conversations. In response to questions NRHA has raised in our most recent conversations, I have provided additional information on capital projects, cost-based reimbursement, and reporting lost revenue.

Capital Projects

You shared a request to allow the total cost of obligated capital items (i.e., items over $5,000 each with a useful life exceeding 12 months) as a permitted COVID-19-related expense, unless reimbursed by other sources.

Expenses for capital equipment and inventory may be fully expensed in cases where the purchase was directly related to prevent, prepare for, and respond to the coronavirus.[1] Examples of these types of equipment and inventory expenses include ventilators, computerized tomography scanners, and other intensive care unit related equipment; personal protective equipment such as masks, face shields, gloves, gowns, and biohazard suits; and disinfectant supplies.

HRSA recognizes that some providers, including those located in rural areas, may have capital projects that were not complete by the first deadline to use funds. Consistent with previous requirements and guidance, PRF recipients must only use payments for eligible expenses incurred during the Period of Availability based on the date the payment was received. Providers must follow their basis of accounting to determine when an expense is incurred.[2] Based on accounting principles, we expect that capital projects must generally be fully completed for the costs to be considered incurred. That said, PRF payments may be used to pay for portions of a phased project that are completed, and the associated costs incurred, during the period of availability.

Cost-Based Reimbursement

NRHA requested that HRSA make allowances for those providers that receive cost-based reimbursement so that future reimbursement for depreciation beyond the Period of Availability for capital costs would not be considered "reimbursed by other sources or that other sources are obligated to reimburse" per statute. We are reviewing this request to determine what additional guidance HRSA can provide to help address this issue, and will follow up with you as soon as we have more information to share. We encourage all entities that have not yet reported to come into compliance with the Terms and Conditions no later than November 30, 2021.

Reporting Lost Revenue

As you know, HRSA provided three options for calculating lost revenues in the June 11, 2021, Post-Payment Notice of Reporting Requirements. For the two options involving determining budgeted and actual revenues, all patient care revenues for 2020, including COVID-19 patient care revenues, must be included in the calculation of lost revenues. For the third option, providers are permitted to provide an alternative calculation using "any reasonable method of estimating revenues," which HRSA views as providing significant flexibility.

We understand that your members have questions about what methodologies will be permitted under this option. HRSA will notify a Reporting Entity if their proposed methodology is not reasonable, including if it does not demonstrate with a reasonable certainty that claimed lost revenues were caused by coronavirus.[3] HRSA recently issued a Lost Revenue guide that may aid your members in calculating lost revenue, which is available at

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[1] FAQ: Will the Provider Relief Fund limit qualifying expenses for capital equipment purchases to 1.5 years of depreciation, or can providers fully expense capital equipment purchases? (Added 11/18/2020)
[2] FAQ: Is there a set period of time in which providers must use the payments to cover allowable expenses or lost revenues attributable to COVID-19? (Modified 8/30/2021)
[3] FAQ: How will a Reporting Entity know if HRSA determines if its revenue estimation approach is considered reasonable? (Added 7/1/2021)

https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-lost-revenues-guide.pdf. If HRSA determines that a Reporting Entity's proposed alternate methodology is not reasonable, the entity will be asked to resubmit its report within 30 days of notification using one of the other two options. Please visit the PRF Reporting Homepage for more information.

Thank you again for your letters. Feedback from you and other stakeholders informs our ability to administer the PRF in a manner that bolsters the health care system and helps providers, particularly those in rural areas, experiencing COVID-related financial hardships during this crisis.

Sincerely,

Diana Espinosa

Diana Espinosa
Acting Administrator