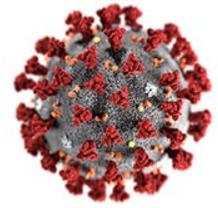




COVID-19 Statewide Hospital Huddle Summary Tuesday, August 4, 2020



Tom Bell welcomed all to the call and encouraged everyone to vote in today's primary election. He thanked the participants for their work in the communities to support and protect the people in their areas.

Statistics Relative to COVID – Sally Othmer

KDHE reports 2,704 new cases in Kansas since our huddle last week. The state reported 30 more deaths due to COVID since last week, bringing the Kansas total to 365 as of yesterday. Hospitalizations per infection remain 1.3 percent. The percentage of positive tests rose from 9.3 to 9.6 since last Monday. At a regional level, we saw a rise in the 14-day trending of percent of population in the North Central, Southwest and South Central while the other regions remained about the same. See the [KDHE Latest Public Update](#) for additional information.

HHS Updates COVID-19 Hospital Daily Data Reporting Guidance and FAQs – Relative to reporting, on Friday of last week, the Department of Health and Human Services updated its guidance and published new FAQs regarding daily COVID-19-related hospital data reporting. The only significant changes to reporting are relative to supplies. Hospitals must now report supply data only on Mondays, Wednesdays and Fridays. The reporting of COVID patient capacity and utilization remains a daily requirement. All data is to be reported through Teletracking, and all changes are effective immediately. Within the FAQ document, HHS mentions Hospital Data Liaisons will now be working with states to improve the consistency of reporting and provide clarification of reporting requests. Teams are said to be working collaboratively with states. Please let us know if a Hospital Data Liaison contacts you, as we are curious to know your experience. The [HHS FAQ](#) and an [AHA Bulletin](#) are available on the KHA website.

COVID-19 Preparedness and Response Update – Ron Marshall

Testing of COVID-19 Updates – KHA is working with Dennis George of APS, Tonya Hawk of BioKansas, Myron Gonzalez of the state lab and Jennifer Evans, KDHE CLIA Manager to discuss possible solutions to the shortage of COVID-19 laboratory testing supplies and equipment. The conversation began with the possibility of producing reagents in Kansas with the help of BioKansas, which was thought to be a good solution to have local production of testing supplies. A number of obstacles were encountered, including FDA approval and CLIA certification. Now looking at using existing PCR technology, which is primarily used in bioscience research labs. The testing equipment and reagents are already FDA approved and are open source. KDHE is looking at the CLIA certification level required. Hopefully, it will be a moderate complexity test, since it is already FDA approved using open source reagents. The equipment is portable, and the state lab is looking at using the same equipment in two or three mobile vans to do testing on site. One advantage may be that the same technology could be used to do simultaneous COVID, influenza and other respiratory viral testing using the same analyzer. If there are volunteers from clinical laboratories and hospitals who are interested in pursuing this approach for doing testing, they need to contact Ron Marshall at rmarshall@kha-net.org.

Saliva Testing of COVID-19 – FDA recently approved saliva testing through emergency use authorization for COVID-19 testing. Saliva can be collected in the clinical setting, in remote sites or at home. One advantage is that saliva testing does not expose health care personnel to the nasal pharyngeal technique. The Yale study found that saliva is more sensitive than the nasal pharyngeal swab testing. It is not as dependent on collection technique. After collection, it is stable for 21 days versus the 72 hours of the nasal pharyngeal swabs in the

viral transport media. The saliva has five times more viral particles than nasal pharyngeal swabs. Clinical Reference Lab in Lenexa hopes to ramp the testing up in the next 2-3 weeks.

PPE Supplies – The state PPE cache has been resupplied. They now have water resistant one-size coveralls, gloves, socks and hand sanitizer. They also have a shipment of N-95 masks. When ordering N-95 masks from the cache, specify the model and manufacturer requested. As a reminder, any PPE received from state cache has to be used for COVID related activities, and the orders needs to go through the county emergency manager.

Vaccine Distribution – KDHE announced that they have developed a working group to determine the priority of distributing the vaccine. Health care workers, vulnerable populations and based upon geographic locations of outbreaks in Kansas are anticipated to be some of the first to receive the vaccine.

Federal and State Update – Chad Austin

President’s Executive Order, COVID 4 Package and KHA letter – On the federal level, the US Senate continues to work on the fourth COVID package. At this time, it appears that the negotiators are still far apart from an agreement. [KHA sent a communication](#) to the Kansas delegation last week outlining a few items for their consideration. The items we raised included hospital funding (to match the \$100B request from the AHA), include liability protections for health care providers, extend telehealth policies, provide flexibility on the Medicare advance payments, and delay the Medicaid Fiscal Accountability Rule.

Telemedicine and Broadband – Yesterday, the President issued an executive order to address telehealth policies and identify policies to transform healthcare in rural America.” The EO included the following:

1. CMS rule to expand coverage of telehealth beyond end of current emergency period;
2. Launching an Innovative Payment Model to Enable Rural Healthcare Transformation;
3. Investments in physical and communications infrastructure; and
4. Improving the Health of Rural Americans, including reducing maternal mortality and morbidity as well as improve mental health in rural communities.

Legislative Budget Committee and Elections – On the state level, KHA has been actively involved in the SPARK funding and testified yesterday in front of the Legislative Budget Committee on the topic of broadband and telemedicine. The legislative budget committee agreed to recommend \$60M be dedicated for broadband and that telemedicine should be a priority. This recommendation will be presented to the State Finance Council and the SPARK committee.

Finance and Reimbursement Updates – Tish Hollingsworth

HHS Extends Application Deadline for Medicaid, CHIP and Dental Providers – The Department of Health and Human Services announced on Friday that the application deadline for the \$15 billion made available to Medicaid, CHIP and dental providers is now further extended to Aug. 28, 2020. This funding stream is for providers that did not receive any payment from the phase 1 of the \$50 billion general distribution. Details on eligibility can be found on the [HHS website](#). Resources also are available on the [KHA website](#) regarding the application process.

HRSA Updates RHC Testing Funds FAQs – The Health Resources & Services Administration recently updated their [FAQs](#) on the CARES Act Rural Health Clinics Testing funds. To date, RHCs have received two separate funding streams:

- [Rural Targeted Distribution](#) – paid around May 8
- [RHC Funding for Testing](#) – paid around May 20

Additional FAQs regarding the Provider Relief Funds for RHCs can be found under the category of “Rural Targeted Distribution” on the HHS [website](#).

Update on Impact of SBA PPP on Medicare Cost Reports – On last week’s member call, we discussed the recent clarification that KHA received from Tom Bruce, the Director of J5 Audit for WPS, concerning information that the Centers for Medicare & Medicaid Services (CMS) had provided to Medicare Administrative Contractors (MACs) regarding the treatment the funds received under the Small Business Administration’s Paycheck Protection Program as a direct offset on the Medicare Cost Report. This announcement hit rapidly and concerns were widely spread to members of Congress and CMS by the American Hospital Association, the National Rural Health Association and state hospital associations.

Late last week, another update was received from Mr. Bruce, indicating that CMS informed MACs that additional clarification regarding the treatment of the SBA PPP loans will be issued by the Agency and that previous guidance distributed should be disregarded. We are unclear if the forthcoming guidance from CMS will invalidate their initial interpretation that the SBA PPP proceeds will need to be offset on the Cost Report, but will monitor the issue closely and provide updates as soon as we receive them. KHA has prepared an [Issue Brief](#) that summarizes the concerns.

Cost Report Implications from CARES Act Funding During the KHA COVID-19 – Jason Barb

Jason Barb, Partner, BKD discussed that the reporting on the Medicare Cost Report for the expenditures that are being made with CARES Act Provider Relief Funds, the Small Business Administration (SBA) Paycheck Protection Program (PPP) or other funding received is no different than any other cost that would be paid out of the general operating funds. Following the capitalization policy for equipment purchased, anything above \$5,000, Medicare requires to be capitalized and depreciated over time. Supplies expenses will be recorded as an expense to the department where it is utilized. Recording those things on the Cost Report are done just like in any ordinary year, although there are some other requirements to track utilization of those funds which are not necessarily tied to the Cost Report, but are very important. The initial reporting is pretty much the same as what we are used to for many years.

The Medicare Accelerated Payment Program has no impact on the Cost Report itself. Repayment of those advance payments are treated similarly as if you have participated in an extended repayment program. That takes place outside of the cost reporting, and ultimately is similar to having a note payable to CMS.

It appears that HHS COVID-19 Provider Relief Funding, the State of Kansas COVID-19 funding, as well as other, smaller funding, will be treated as grants. The Medicare Program Reimbursement Manual states that grants are specifically excluded from requiring offset on the Cost Report. On May 28, WPS participated in a KHA call and announced that the Provider Relief Fund stimulus payments were grants and therefore would not require offset. Through Aug. 4, we have not received written verification from CMS or HHS of that, but to the extent that it is actually being considered a grant, that is a solid position.

Uncertainty lies in Small Business Administration (SBA) Paycheck Protection Program (PPP) loans, specifically. As a general rule of thumb, loans that are forgiven do require a cost offset. On July 20, KHA received communication from the Medicare Administrative Contractor, Wisconsin Physician Services (WPS), that CMS directed the MACs that the SBA PPP would require an offset on the Cost Report. KHA, the AHA, and the NRHA as well as others started putting forward significant advocacy efforts to explain the impact of this decision on the Critical Access Hospitals and Rural Health Clinics, both of which are cost-based. On July 29, there was a letter from the US Senate to CMS advising that requiring an offset was contrary to the congressional intent of this program. On July 30, CMS informed MACs that written guidance would be forthcoming concerning these loans, and to disregard the previous communication. At this time, we do not know if that written guidance will overturn the previous indication that would require offset or not. Jason encouraged participants to continue

to speak with Congressional delegation that we need guidance and that PPP should not require offset. The impact of offsetting the cost of PPP loan could potentially result in large payables on the Cost Reports.

The receipt of the Provider Relief Funds, as well as the SBA PPP, could also have other significant downstream impacts on hospital cost-to-charge ratios and uncompensated care costs for the Medicaid Disproportionate Share Hospital program. As HHS and CMS provide guidance, it is important to stay in contact with your hospital Accounting Firm to understand the potential impact to your specific hospital.

Member Questions

Q1: Related to those hospitals having June 30 fiscal year end, what are the potential hang-ups and concerns concerning doing year-end reports right now?

A1: BKD is working with hospitals right now and seeking guidance from WPS. At this point, we have not seen a forgiveness letter from the bank. We have not seen any loan forgiveness, which would have an impact on the Cost Report. As of the June 30 fiscal year end, it would appear that most all of those would not have offset, because at that point in time, the loan would still be in place. Like any other borrowing, the costs would be allowable. A question posed to WPS was what happens if all of the costs were incurred prior to June 30, 2020, and then in August 2020 that loan is forgiven. The ultimate guidance says that the costs would be offset. Typically, you would expect the offset to occur in the same period that the costs occurred. That may not be the case here. Hopefully, CMS will take a position that the congressional intent was not to require an offset. It is a big uncertainty for now.

Q2: How are the SPARK funds available through counties handled from a Cost Report perspective? Are they considered a loan or a grant?

A2: BKD shared that the SPARK funds likely will not require any offset. Whether they are truly considered to be grant or governmental contribution, those do not require an offset either. I have not seen anything that indicates that the SPARK funds will be treated as a loan. Tom Bell, who serves on the Executive Committee of the SPARK Task Force said he can't imagine the SPARK funds being treated as anything other than a reimbursement or a grant.

Q3: As KHA, other state associations, NRHA and AHA have reached back concerning the clarification from CMS concerning the PPP loans and cost reports, what kind of a format do you think that would come? Any idea on if it could be quickly?

A3: KHA does not expect this to be a legislative fix. The purpose of what has emanated from the Senate to CMS is that the congressional intent of the program to be followed. If the COVID 4 legislation is still alive, and CMS comes out with further guidance stating that they are going to treat forgiven PPP loans as forgiven loans rather than grants, Congress would step in. At this point, Congress probably expects CMS to follow congressional intent with respect to the program, which they have already clarified.

Next Hospital Huddle Call

Our next call will be Tuesday, Aug. 11 at 10:00 a.m. Please email your question for next week's huddle to [Cindy Samuelson](#).