

September 1, 2020

## CMS Issues New Guidance on COVID-19 Relief Funds' Cost Reporting

As [urged by the AHA](#), the Centers for Medicare & Medicaid Services (CMS) recently issued guidance stating that COVID-19 Provider Relief Fund (PRF) payments and Small Business Administration (SBA) Paycheck Protection Program loan forgiveness funds should *not* be recorded as offsets to expenses on the Medicare cost report.

The guidance, as described in [COVID-19 FAQs](#) updated Aug. 26, is particularly important for critical access hospitals' and other hospitals' cost-based Medicare reimbursements, which would have been reduced if COVID-19 funding were to offset costs. AHA had advocated for COVID-19-related funds to not offset expenses in the cost report to prevent any adverse financial implications of receiving crucial funding to address the public health emergency.

According to the FAQ document, “providers should not adjust the expenses on the Medicare cost report based on PRF payments received. Providers must continue to adhere to the Health Resources and Services Administration’s (HRSA’s) guidance regarding appropriate uses of PRF payments, in order to ensure that the money is used for permissible purposes (namely, to prevent, prepare for, or respond to coronavirus, and for health care related expenses or lost revenues that are attributable to coronavirus) and that the uses of the PRF payments do not violate the prohibition on using PRF money to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.”

Similarly, the FAQs state that providers should “not offset SBA Loan Forgiveness amounts against expenses unless those amounts are attributable to specific claims such as payments for the uninsured. The Paycheck Protection Program loan administered by the SBA is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The terms and conditions of the SBA loan forgiveness, overseen by the SBA, include employee retention criteria, and the funds must be used for eligible expenses.”

The guidance also directs providers to report PRF payments and SBA loan forgiveness on the cost report's statement of revenues for informational purposes, and provides further instruction on how to report the funds on cost report worksheets.

The AHA has previously [urged CMS](#) to release guidance on cost reporting for these funds, and to not require that they be used to offset expenses.

For more information, please see [CMS' FAQs on Medicare Fee-for-Service Billing](#).

**Further Questions:**

If you have questions, please contact the AHA at 800-424-4301.