

MENDOCINO COAST HEALTH CARE DISTRICT  
775 River Drive, Fort Bragg, CA 95437

MEMORANDUM

Date: May 18, 2024

TO: Board of Directors  
Mendocino Coast Health Care District

FROM: Wayne Allen, Chief Financial Officer  
Mendocino Coast Health Care District



SUBJECT: CARES Act of 2020 Reimbursement Liability

**Introduction:**

The Coronavirus Aid, Relief, and Economic Security Act also known as the CARES Act of 2020 was a \$2.2 trillion economic stimulus federal law in response to the economic fallout of the COVID-19 pandemic in the United States. It was intended to provide emergency response to individuals, families and businesses affected by the COVID disease. The Department of Health and Human Services (HHS) is the Federal Administrative Agency for the program. Some documents may make a reference to the Health Resources and Services Administration (HRSA) which is a subagency of the Department of the Health and Human Services.

Obviously, health care facilities (specifically Mendocino Coast District Hospital, MCDH as it was named in the spring of 2020) was included in the distribution of these funds.

**Funding (also called the Provider Relief Fund):**

MCDH received the following three CARES payment distributions:

1. \$1,461,504.08 on 04-17-2020
2. \$4,300,331.51 on 05-06-2020

The subtotal of these two payments was \$5,761,835.59

3. \$49,461.42 on 05-20-2020 (for Rural Health testing expenses)

Grand Total for the three distributions was \$5,811,297.01

### **Purpose of the Funding:**

Provider Relief Fund (PRF) recipients must use payments received in the Period 1 of Availability (April 10, 2020 to June 30, 2020) only for eligible expenses, including services rendered, and lost revenues attributable to coronavirus, incurred by the end of the 1<sup>st</sup> eighteen months of the program called the Period of Availability (January 1, 2020 to June 30, 2021). Providers were required to maintain supporting documentation that demonstrated costs were incurred during the Period of Availability, as required under the Terms and Conditions.

### **Reimbursement Approval:**

Entities that receive more than \$10,000 (either one time or in the aggregate) are required to report the uses of their funds and to have expended all received funds within a year of receiving them, and to report all their expenditures within three months after the end of the expenditure period. For example, funds awarded between April 10 and June 30, 2020, must be expended by June 30, 2021, and reported by September 30, 2021 (grace period extended the deadline to November 30, 2021).

A PRF Reporting Portal will need to be set up with the following information to file your report:

- Tax ID Number (TIN) or other identification number submitted during the application process (e.g., Social Security Number (SSN), Employer Identification Number [EIN])
- Business name (as it appears on IRS Form W-9 of the reporting entity)
- Contact information (name, phone number, email address) of the person responsible for submitting the report
- Address (street, city, state, zip code) of the reporting entity as it appears on IRS Form W-9
- TIN(s) of subsidiaries, (if a provider is reporting on behalf of subsidiary(ies) - in a list delimited by commas [e.g., 123456789,987654321,135791357])
- Payment information for any one of the PRF payments received (Note: this payment information is used for identity verification purposes only).
- You will also need to create a username in the format of an email address and a password during the registration process.

Once the PRF Reporting Portal is approved as operational by HHS, you are ready to enter your request for reimbursement compliance with the relevant dollars for COVID expenses and lost revenues into what I have named as the Reimbursement Document. Per the accompanying attachment, it appears that Mr. John Redding was the registered individual for MCDH's Reimbursement Document and it has a dated stamp of last usage as May 23, 2023. I am puzzled by Mr. Redding using the Portal on May 23, 2023 as he was no longer associated with the District as a Board member on that date. Once the filing is electronically submitted to HHS, that original document cannot be amended.

We are at the point in my narrative where it appears a lot of confusion occurred in the filing process of the Reimbursement Document. Specifically, the following items:

- The MCHCD Board of Directors engaged on June 14, 2021 a consulting firm, FTI Consulting Inc, to assist with the completion of the Reimbursement Document.
- I have discovered just two days ago, on May 16, 2024 what appears to be a draft Excel workbook with nineteen tabs of COVID calculations.
  - a. It contains instructions of how to place the calculations into the specific lines on the PRF Reporting Portal.
  - b. The Excel workbook does not have an identified author and it is not dated. However, I am told by AH staff that the author is FTI and it was developed during their engagement in the summer/fall of 2021.
  - c. I am surmising it is a draft because one of the tabs is for outstanding items and another tab shows the **Repayment Liability at \$1,088,799** subject to a couple of footnotes (I have included Attachment A to this memo showing the content of those two tabs).
  - d. I still need a copy of the final FTI audit report along with their supporting work papers.
- Mr. Redding reports in the October 28, 2021 MCHCD Board minutes the following on behalf of FTI:

“6.3 Finance Report: John Redding • CARES Audit Update Unsolicited funds, totaling \$5.8 million, were received by the District. The distribution of this fund was to offset losses due to the impact of COVID 19 on hospital revenue (prior to affiliation) though June 2020. After a comprehensive audit by FTI, an independent consulting company, it was determined the financial impact on the district totaled \$4.4 million. The balance of the funds will be refunded.”

- The balance of the funds would have been \$5.8M minus \$4.4M equals \$1.4M. I can find no evidence that the **\$1.4M Repayment Liability** payment was ever made.
- If fact, when John Redding submitted the Reimbursement Document, it was completed with no refund balance owing. However, Mr. Redding’s calculation of lost revenues is not correct.
- Mr. Redding stated for the 1<sup>st</sup> and 2<sup>nd</sup> Quarters of calendar year 2021 the lost revenues were \$31,174,988.28 (Including the erroneous 2021 lost revenues yields a **\$-0- Repayment Liability**). However, the MCDH provider was not eligible for lost revenues in 2021 as it ceased patient care operations as of midnight on June 30, 2020.
- The correct calculation: Lost revenues of \$3,388,801.54 for only the 2<sup>nd</sup> Quarter of calendar year 2020 plus the expenses of \$226,049.25 equals \$3,614,850.79 of claimed reimbursement expenditures.
- Payments received of \$5,761,835.59 minus the total expenditures of \$3,614,850.79 equals a **Repayment Liability of \$2,146,984.80** due HHS.
- A prudent person would not praise an expert consulting opinion showing a refund due HHS of \$1.4M. Then be that same prudent person to file a Reimbursement Document with HHS claiming there is no refund due HHS (where is the extenuating circumstance?).

**Recovery of payments made to providers not supported with specific claims for reimbursement:**

The Provider Relief Fund Terms and Conditions and applicable legal requirements authorized HHS to audit Provider Relief Fund recipients now or in the future to ensure that program requirements are met. Provider Relief Fund payments that were made incorrectly, or exceed lost revenues or expenses due to coronavirus, or do not otherwise meet applicable legal and program requirements must be returned to HHS, and HHS is authorized to recover these funds.

Providers that had Provider Relief Fund payments that they cannot expend on allowable expenses or lost revenues by the deadline to use funds that corresponds to the Payment Received Period, as outlined in the Post-Payment Notice of Reporting Requirements, will return this money to HHS. The Provider Relief Fund Terms and Conditions and legal requirements authorize HHS to audit Provider Relief Fund recipients now or in the future to ensure that program requirements are met. HHS is authorized to recover any Provider Relief Fund amounts that were made incorrectly or exceed lost revenues or expenses due to coronavirus, or do not otherwise meet applicable legal and program requirements.

If a provider cannot expend its Provider Relief Fund payment by the applicable deadline to use funds, **the provider must return any unused funds to the government** within 30 calendar days after the end of the applicable Reporting Time Period or any associated grace period. **The deadline for MCDH was November 30, 2021.**

**Single Audit: MCDH has not had its Single Audit conducted.**

Recipients that spend a total of \$750,000 or more in federal funds (including PRF payments and other federal financial assistance) during their fiscal year are subject to Single Audit requirements, as set forth in the regulations at 45 CFR 75.501.

The recipients of Provider Relief Fund payments may be subject to additional auditing to ensure the accuracy of the data submitted to HHS for payment. Any recipients identified as having provided inaccurate information to HHS will be subject to payment recoupment and other legal action. Further, all recipients of Provider Relief Fund payments shall maintain appropriate records and cost documentation including, as applicable, documentation described in 45 CFR § 75.302 – Financial management and 45 CFR § 75.361 through 75.365 – Record Retention and Access, and other information required by future program instructions to substantiate that all Provider Relief Fund payments were used appropriately.

Upon the request of the Secretary, the recipient shall promptly submit copies of such records and cost documentation and the recipient must fully cooperate in all audits the Secretary, Inspector General, or Pandemic Response Accountability Committee conducts to ensure compliance with applicable Terms and Conditions. **Deliberate omission, misrepresentation, or falsification of any information contained in payment applications or future reports may be punishable by criminal, civil, or administrative**

penalties, including but not limited to revocation of Medicare billing privileges, exclusion from federal health care programs, and/or the imposition of fines, civil damages, and/or imprisonment.

**Conclusion:**

The Repayment Liability has four conflicting dollar amounts:

- \$1,088,799.00 from the draft FTI Excel workbook
- \$1,400,000.00 from the John Redding statement in the Board minutes
- \$2,146,984.80 from the PRF portal (corrected audit filing)
- \$-0- from the PRF portal (current filing)

As of this very moment, the current filing in the PRF portal shows a \$-0- Repayment Liability and that represents the official record on file with HHS.

However, when the audit is conducted, the dollars will be adjusted to a Repayment Liability of \$2,146,984.80 due to the removal of the false inclusion of \$31,174,988.28 for calendar year 2021 lost revenues.

A prudent person would question whether there has been a deliberate omission, misrepresentation, or falsification of any information in the PRF portal filing. I frankly do not know the answer to that statement yet.

During the audit field work, I will be working closely with the audit team to present them with some opportunities to decrease any potential Repayment Liability.

I still need a copy of the final FTI audit report along with their supporting work papers.

**APPENDIX A**  
**COVID EXCEL WORKBOOK**

## Estimated Provider Relief Funds (PRF) Repayment

	<u>January - June</u>
1 Total PRF received	5,811,297
2 Interest earned on unused PRF funds <sup>1</sup>	-
3 Covid-19 Related Expenses <sup>2</sup>	(226,049)
4 Net Revenue Loss	<u>(4,496,448)</u>
Estimated PRF Repayment Owed \$	1,088,799

Notes:

- 1) This value will increase if there is interest earned on unused PRF Funds. This will increase the estimated PRF repayment owed.
- 2) This value will increase after the fringe benefits base rate is applied to the labor report. This will decrease the estimated PRF repayment owed.

## Outstanding Items

### 1) Interest earned on unused PRF funds (if no interest was earned enter zero). This is to be entered on Step 5 of the HHS Portal.

If the value is greater than zero it will increase the amount of PRF funds owed.

Total \$ -

If PRF payments were held in an interest-bearing account, these interest amounts must be reported to HRSA and must be used only for allowable expenses or lost revenues. If interest is earned on PRF payments received in the Payment Received Period corresponding to the current reporting period, interest must be applied toward a reportable use of funds. Interest should be calculated from the date the payment was received until the date of expenditure (or the date of return in the case of unused PRF payments).

If interest is earned on funds that are only partially expended, the interest earned on remaining unused funds must be calculated, reported, and returned. (Reporting User Guide p. 29)

### 2) Labor distribution report for MCDH Infection Control must be broken out by calendar quarter. This is to be entered on Step 9 of the HHS Portal.

The HHS portal requires data to be entered by calendar quarter.

Q1 (Jan - Mar)	1,891.40
Q2 (Apr to Jun)	92,549.63
Total \$	94,441.03

### 3) Fringe benefits base percentage to be applied to labor distribution report above. This is to be entered on Step 9 of the HHS Portal.

This can be claimed as an expense and will decrease the amount of PRF funds owed.

For example if the base rate is 18% the amount of PRF funds owed would decrease by \$16,999.39 (18% \* 94,441.03).

Rate	48.22%
Q1 (Jan - Mar)	912.03
Q2 (Apr to Jun)	44,627.43
Total \$	45,539.46

### 4) Need to re-run the following reports to include January and February (Jan - June). This will then be used to update

1. Mar-Jun 2019 Gross Pt Revenue Detail.pdf
  2. Mar-Jun 2020 Gross Pt Revenue Detail.pdf
  3. Mar-Jun 2019 -Deductions to Revenue.pdf
  4. Mar-Jun 2020 -Deductions to Revenue.pdf
- the payer mix schedule on tab 'Net\_Revenue\_For\_Portal' and Step 12.1 of the HHS Portal.