

OSHPD Office of Statewide Health Planning and Development**Information Services Division**

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April 2021

To: Hospital Chief Financial Officers
and Other Interested Parties

Re: REVISED Hospital Technical Letter No. 33

This is the 33rd in a series of Hospital Technical Letters developed by the Office of Statewide Health Planning and Development (OSHPD) regarding our uniform accounting and reporting system requirements for California hospitals. The purpose of these letters is to provide timely information to assist you in meeting these requirements.

REVISED - Medicare Accelerated / Advance Payments (AAP)

Due to several requests that gave us a better understanding of how hospitals record the transactions for Medicare Accelerated Payments, we have changed our reporting instruction.

An accelerated /advance payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing.

CMS is authorized to accelerate or advance payments during the period of the public health emergency to any Medicare provider/supplier who submits a request to the appropriate Medicare Administrative Contractor (MAC) and meets required qualifications.

Record the AAP received as a current liability, similar to a loan, and credit Advances from Third-Party Payors – Medicare (account 2051).

The MAC will recover an AAP by reducing Medicare payments for patient care services and applying the amount withheld to the outstanding loan balance. As this recovery process takes place, debit Advances from Third-Party Payors – Medicare to the extent that Medicare payments are reduced to repay AAP, rather than merely crediting Cash.

CARES Act Provider Relief Fund

Provider Relief Fund distributions, including General Distributions (\$30 Billion and \$20 Billion) and Targeted Distributions (High Impact, Rural Health, SNF, and Safety Net Providers) provide funding to prevent, prepare for, and respond to coronavirus, and that payment shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.

Consistent with CMS cost reporting guidance, the aggregate payments from these funds should be recorded as Other Operating Revenue to distinguish them from payments for health care services.

Families First Coronavirus Response Act (FFCRA) – Testing

This provides funding to hospitals to pay for COVID-19 testing and Testing Related Items and Services.

Since the payments are for patient care, hospitals should record charges at full established rates for testing and testing related items and services by functional revenue account. The difference between the amount received by the hospital and the full established rates must be recorded as contractual adjustments. Accounting and reporting requirements are that hospitals record the revenue and deductions from revenue in the predominant payor category. If FFCRA is the predominant payor, hospitals should record using Other Government Traditional revenue subclassifications which fall in the Other Third Parties Traditional payer category. Since it is limited to testing, FFCRA may not be the predominant payer.

Uninsured Relief Fund Payments

These payments are for providing items and services to uninsured patients for care or treatment of COVID-19 and/or its complications. Accounting and reporting requirements are that hospitals record the revenue and deductions from revenue in the Other Government Traditional revenue subclassifications which fall in the Other Third Parties Traditional payer category.

Hospitals should record charges at full established rates for testing and testing related items and services by functional revenue account. The difference between the amount received by the hospital and the full established rates must be recorded as contractual adjustments.

Paycheck Protection Program

These funds provide economic relief to small businesses for expenses related to payroll costs, employee benefits, mortgage interest, rent payments, utility payments and interest payments.

This is a loan that the small business may have to pay back, or the loan may be later forgiven. Maturity of the loan is two years or more.

Since this is a loan, hospitals should record as a credit to Other Non-Current Liabilities (account 2270). If the loan is later forgiven, the balance of the loan in Other Non-Current Liabilities should be closed and a gain on extinguishment of debt should be recorded as a debit to Other Non-Current Liabilities and credit Other Non-Operating Revenue (account 9400).

FEMA Public Assistance Funds

These fund payments reimburse eligible entities for allowable expenses. Consistent with federal guidance for the Provider Relief Fund, aggregate payments from these funds should be recorded as Other Operating Revenue to distinguish them from payments for health care services.

Disaster Response

The Accounting and Reporting Manual for California Hospitals, Second Edition (Manual) requires expenses to be recorded by functional activities.

Hospital efforts in response to a disaster can be divided between non-patient care activities and patient care activities.

Non-patient Care:

Expenses for non-patient care must be recorded in functional expense accounts identified in the following Manual sections:

- 2420.4 - Research Costs
- 2420.5 - Education Costs
- 2420.6 - General Services
- 2420.7 - Fiscal Services
- 2420.8 - Administrative Services
- 2420.9 - Unassigned Costs
- 2420.10 - Non-operating Revenue and Expenses

Hospital Administration (Account 8610)

Non-patient care activities may include establishing a command center to provide overall hospital direction to staff and coordinate efforts with government agencies and other external parties. Expenses related to command center activities should be recorded in Account 8610 - Hospital Administration. The hospital may wish to establish a new subaccount number under the Hospital Administration account to separate costs, such as subaccount number 8619. The Hospital Administration account description is in Section 2420.8 of the Manual.

The natural classification of expense for salaries and wages of nurses providing non-patient care services should be .00 - Management and Supervision, or .01 - Technical and Specialist. Natural classification of expense .02 - Registered Nurses and .03 - Licensed Vocational Nurses are only for providing direct nursing care to patients.

Utilization Management (Account 8750)

The hospital may be performing additional infection control and quality assurance activities that should be recorded in Account 8750 - Utilization Management. The hospital may wish to establish a subaccount within the Utilization Management account to separate costs, such as subaccount number 8759.

Other Administrative Services (Account 8790)

If the hospital establishes a phone line to provide advice to public callers, record expenses in Account 8790 - Other Administrative Services, similar to "Ask-A-Nurse" and Poison Hot-Line programs. The hospital may use subaccount 8791 - Medical Information Services.

Patient Care:

Expenses for patient care must be recorded in functional expense accounts identified in the following Manual sections:

- 2420.1 - Daily Hospital Services Expense
- 2420.2 - Ambulatory Services Expense
- 2420.3 - Ancillary Services Expense

Daily Hospital Services:

If patients are admitted to the hospital, daily hospital services expenses should be recorded in functional accounts described in Section 2420.1 of the Manual, such as:

- 6010 - Medical/Surgical Intensive Care
- 6050 - Pediatric Intensive Care

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6130 - Other Intensive Care (Account 6131 - Pulmonary Intensive Care)
6150 - Definitive Observation
6170 - Medical/Surgical Acute
6290 - Pediatric Acute
6510 - Other Acute Care (6512 - Communicable Diseases Care)

Emergency Services (Account 7010):

Patient care activities may include performing triage to assess illness and decide order of treatment in a temporary setting apart from an existing hospital emergency room, such as tents. Expenses related to providing patient care should be recorded in account 7010 - Emergency Services. The hospital may wish to establish a new subaccount number under the Emergency Services account to separate costs, such as subaccount number 7019. Count the standard unit of measure, number of visits, as described in Section 2420.2 of the Manual.

Clinics (Account 7070):

If the hospital establishes remote video visits for patients, record expenses in account 7070 – Clinics. The hospital may wish to establish a new subaccount number under the Clinics account to separate costs, such as subaccount number 7089. Count the standard unit of measure, number of visits, as described in Section 2420.2 of the Manual for the video appearance of the patient.

Clinical Laboratory Services (Account 7500):

Expenses related to testing of specimens should be recorded in account 7500 Clinical Laboratory Services. The hospital may wish to establish a new subaccount number under the Clinical Laboratory Services account to separate costs, such as Account 7505. If services are purchased from an outside laboratory, record the expense in natural classification of expense .61 - Medical. Count the standard unit of measure, number of tests, as described in Section 2420.3 of the Manual for the purchased services.

Medical Supplies Sold to Patients (Account 7470):

The invoice cost of medical supplies sold to patients should be recorded in Account 7470 - Medical Supplies Sold to Patients as described in Section 2420.3 of the Manual.

Drugs Sold to Patients (Account 7710):

The invoice cost of drugs sold to patients should be recorded in Account 7710 - Drugs Sold to Patients as described in Section 2420.3 of the Manual.

Respiratory Therapy (Account 7720):

Expenses related to the administration of oxygen and other forms of therapy through respiration as prescribed by a physician should be included in Account 7720 - Respiratory Therapy as described in Section 2420.3 of the Manual.

Donations:

Hospitals may receive donations of Personal Protective Equipment such as masks, gowns, face shields. Record donations of supplies as other operating revenue in account 5650 - Donated Commodities at fair market value. This other operating revenue is offset to the expense accounts where the supplies are used and recorded as expense as described in Section 2410.4 of the Manual.

Equipment:

Donated equipment, record equipment at fair market value and increase the fund balance (equity account).

Quarterly Reporting – Deductions from revenue, net patient revenue

We have noticed that several hospitals have not been separately reporting deductions from revenue on the quarterly report as reflected in net patient revenue. They have been reporting all bad debt and charity under the Other Payor category, which ends up understating Other Payor net patient revenue.

All deductions from revenue, including bad debt, charity and other deductions, must be identified by payor category using the sub classifications found in the Accounting and Reporting Manual for California Hospitals, 2nd Edition section 2430. This applies to both annual and quarterly reporting. Net Patient Revenue reported on the quarterly report should reflect the deductions from revenue for each payor category.

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2020-21

The reporting requirements for the 46th year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2020 through June 29, 2021, are the same as the previous year. The approved software (Version 46A) is:

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>	<u>Status</u>
Health Financial Systems	Becky Dolin	(916) 226-6269	Approved
Compu-Max	Jim David	(213) 433-3921	Approved

HADR Extension Policy: Hospitals may request 60 days on the initial HADR extension request. A second request must be submitted to use the remaining 30 days. The law prohibits OSHPD from granting more than a total of 90 days.

QUARTERLY REPORTING for 2021

The reporting requirements for 2021 are the same as 2020. Hospitals use SIERA (System for Integrated Electronic Reporting and Auditing) to prepare and submit their Quarterly Financial and Utilization Reports (QFUR). Quarterly Reports are due 45 days after the end of each calendar quarter.

2021 Quarterly Report Periods and Due Dates

Quarter	Period Begins:	Period Ends:	Date Due
1st Quarter	January 1, 2021	March 31, 2021	May 15, 2021 (Sat.)
2nd Quarter	April 1, 2021	June 30, 2021	August 14, 2021 (Sat.)
3rd Quarter	July 1, 2021	September 30, 2021	November 14, 2021 (Sun.)
4th Quarter	October 1, 2021	December 31, 2021	February 14, 2022 (Mon.)

*Note: Quarterly Reports due on a Saturday, Sunday, or State holiday may be submitted the next business day without penalty.

QFUR Extension Policy: One 30-day extension will be granted upon request. The law prohibits OSHPD from granting more than 30 days.

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Copies of previous Hospital Technical Letters are available on OSHPD's web site. If you have any accounting or reporting questions, please call me at (916) 326-3832.

Sincerely,

Original Signed By

Kyle Rowert
Hospital Unit Supervisor