Department of Health and Human Services
Office of Inspector General
Office of Audit Services

November 2024 | A-02-22-01014

Seven of Thirty Hospices Reviewed Did Not Comply or May Not Have Complied With Terms and Conditions and Federal Requirements for Provider Relief Fund Payments

REPORT HIGHLIGHTS

November 2024 | A-02-22-01014

Seven of Thirty Hospices Reviewed Did Not Comply or May Not Have Complied With Terms and Conditions and Federal Requirements for Provider Relief Fund Payments

Why OIG Did This Audit

- The Provider Relief Fund (PRF), a $178 billion program, provided funds to eligible providers for health care-related expenses or lost revenue attributable to COVID-19. HHS was responsible for initial PRF program oversight and policy decisions, and HRSA administers the PRF program.
- Providers receiving PRF payments were to ensure that the payments were: (1) used to prevent, prepare for, or respond to COVID-19; (2) used for health care-related expenses or lost revenues attributable to COVID-19; (3) not used to cover expenses or losses reimbursed by other funding sources; and (4) not used to pay salaries in excess of a certain threshold or to pay for certain prohibited activities.
- This audit is part of a series reviewing PRF payments to various provider types. Specifically, this audit assessed whether 30 selected hospices expended taxpayer funds in accordance with Federal and program requirements.

What OIG Found

- The selected hospices reported that they used $80.2 million of their PRF payments to offset lost revenues, $89.8 million for general and administrative expenses, and $34.8 million for health care-related expenses.
- Of the 30 selected hospices, 23 hospices used PRF funds for allowable expenditures and lost revenues attributable to COVID-19; however, 7 hospices did not comply with or may not have complied with Federal requirements. Of these seven hospices, which received $98.1 million in PRF payments, six hospices claimed a total of $8.3 million of unallowable PRF expenditures and inaccurately reported $1.5 million of lost revenues, and one hospice claimed $4 million in expenditures that may not have been allowable.
- These deficiencies occurred because although HRSA provided the PRF terms and conditions and updated its guidance to PRF recipients, the hospices did not always maintain documentation for expenses claimed, correctly interpret HRSA guidance, have procedures to verify the accuracy of lost revenue calculations, or track expenses funded by PRF payments.

What OIG Recommends

We made two recommendations to HRSA, including that it require the selected hospices to return any unallowable expenditures to the Federal Government or ensure that the hospices properly account for these expenditures. HRSA concurred with our recommendations.

TABLE OF CONTENTS

INTRODUCTION

WHY WE DID THIS AUDIT

On March 13, 2020, the President declared the COVID-19 outbreak a national emergency. In response, Congress passed three bills, which the President signed into law, to establish the Provider Relief Fund (PRF). The PRF provided funds to eligible hospitals and other health care providers (providers) for: (1) health care-related expenses or lost revenues (e.g., due to canceled elective services) attributable to COVID-19, (2) COVID-19 testing and treatment for uninsured individuals, and (3) the administration of vaccines.[1] These Federal laws appropriated to the PRF a combined $178 billion in funds, which were generally distributed as direct payments to providers in a series of General and Targeted Distributions.[2] As of February 2024, the Health Resources and Services Administration (HRSA) had distributed $145.9 billion of the PRF to providers.[3]

The Department of Health and Human Services (HHS) was responsible for initial PRF program oversight and policy decisions, and HRSA, within HHS, administers the PRF program.

COVID-19 created extraordinary challenges for the delivery of health care and human services to the American people. As the oversight agency for HHS, the Office of Inspector General (OIG) has provided oversight of HHS's COVID-19 response and recovery efforts.[4] This audit assessed selected hospice providers' compliance with terms and conditions and Federal requirements for expending PRF payments. It is one of several OIG audits of various aspects of PRF payments, including: (1) HHS's and HRSA's controls related to the requirements for submitting revenue information and attesting to the acceptance or rejection of PRF payments, (2) HHS's and HRSA's controls over PRF payment calculations and provider eligibility determinations, and (3) claims

[1] The Coronavirus Aid, Relief, and Economic Security Act, P.L. No. 116-136, signed into law on Mar. 27, 2020, appropriated $100 billion; the Paycheck Protection Program and Health Care Enhancement Act, P.L. No. 116-139, signed into law on Apr. 24, 2020, appropriated $75 billion; and the Consolidated Appropriations Act, 2021, P.L. No. 116-260, signed into law on Dec. 27, 2020, appropriated $3 billion.

[2] Under the General Distributions, PRF payments were distributed in four phases (Phases 1, 2, 3, and 4). For example, under the Phase 1 General Distribution, PRF payments were distributed to eligible Medicare providers that billed Medicare fee-for-service (Medicare Parts A or B) in calendar year 2019. Under the Targeted Distributions, PRF payments were made to providers to address added COVID-19 challenges, such as high-need and vulnerable populations, including nursing homes and providers serving individuals in rural areas and safety net hospitals.

[3] This dollar figure is based on latest PRF distribution data provided by HRSA. As of June 2023, with the passage of the Fiscal Responsibility Act of 2023, P.L. No. 118-5, Congress rescinded some unobligated PRF funds. In response, HRSA stopped making PRF payments to providers.

[4] OIG developed a COVID-19 response strategic plan to guide its oversight activities. As part of this plan, available at https://oig.hhs.gov/coronavirus/index.asp, OIG has been conducting a series of audits of PRF payments to hospitals, home health agencies, hospices, skilled nursing facilities, rural and/or tribal providers, dental providers, and assisted living facilities. This report is one in a series of these audits.

for COVID-19 testing and treatment services for uninsured individuals. See Appendix B for a list of related OIG reports.

OBJECTIVE

Our objective was to determine whether selected hospices that received PRF payments complied with terms and conditions and Federal requirements for expending PRF funds.

BACKGROUND

COVID-19 National Emergency and the Provider Relief Fund

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency of international concern, and on March 11, 2020, it characterized COVID-19 as a pandemic.[5] Then, on March 13, 2020, the President declared the COVID-19 outbreak a national emergency.[6]

As a result of the COVID-19 pandemic, many States ordered health care facilities, physicians, and other providers and professionals to delay elective or nonurgent procedures to conserve personal protective equipment and free up staff and facilities for COVID-19 patients. According to national hospice stakeholders, hospices throughout the Nation reported a decrease in revenues. This was a result of decreased admissions and increased costs to secure medications that were in short supply; personal protective equipment and other supplies; and new telecommunications systems for providing telehealth services and keeping patients, families, and medical staff connected. Further, hospices faced additional costs for staffing, including costs for furloughing or quarantining staff, contracting staff to meet patient care needs, and establishing remote workstations.[7]

In response to the national emergency, the PRF was established to provide funds to eligible providers for: (1) health care-related expenses or lost revenues attributable to COVID-19, (2) COVID-19 testing and treatment for uninsured individuals, and (3) the administration of

[5] A pandemic is an epidemic that has spread over several countries or continents, usually affecting many people. An epidemic is an increase, often sudden, in the number of cases of a disease above what is normally expected in a population in a specific area.

[6] The national emergency ended on May 11, 2023.

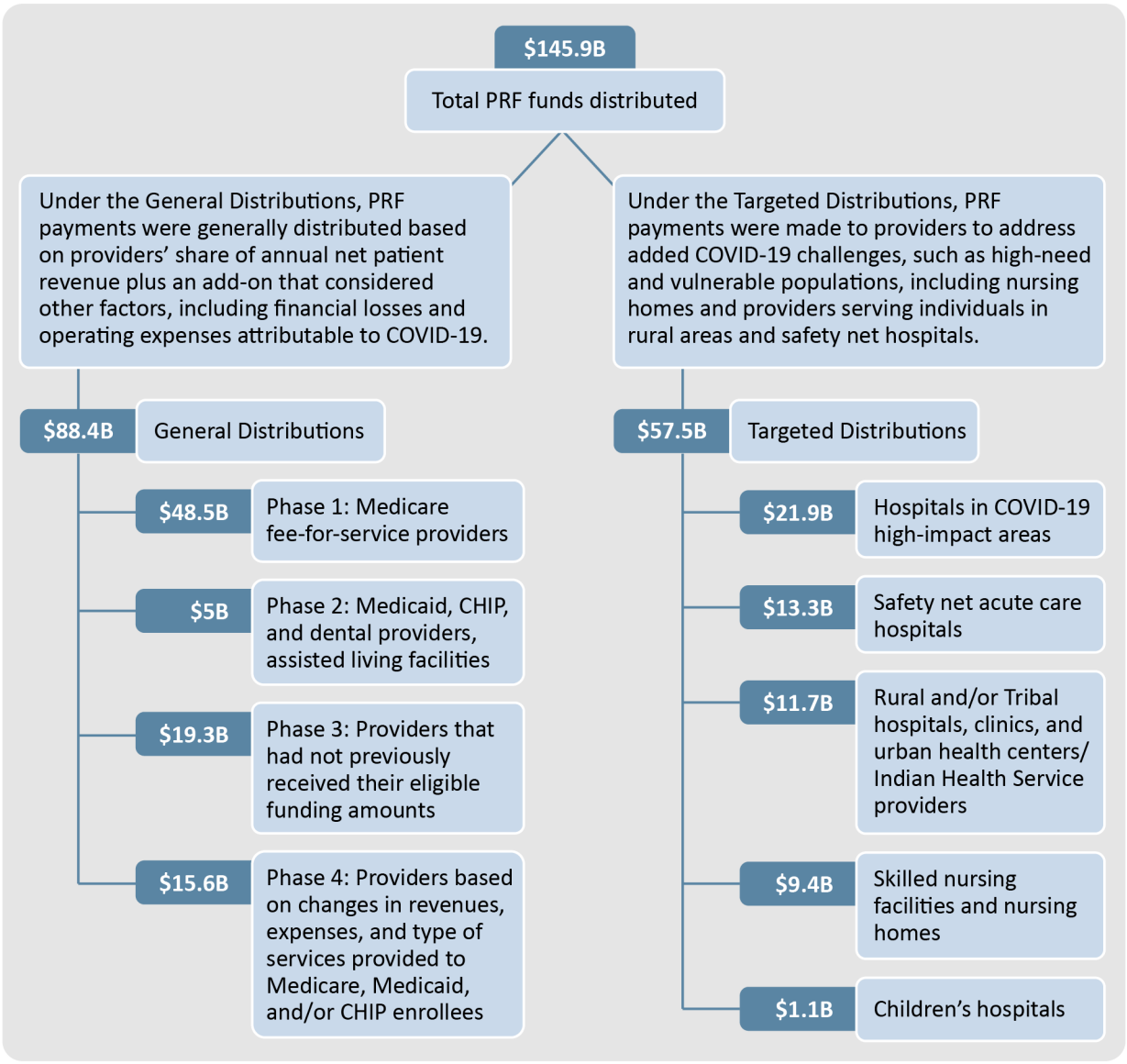
[7] Joint memo from the National Hospice and Palliative Care Organization, the National Association for Home Care and Hospice, the National Partnership for Hospice Innovation, and the Leading Age/Visiting Nurse Associations of America/ElevatingHOME to the United States Congress, dated Mar. 17, 2020. Available online at: https://www.nhpco.org/wp-content/uploads/Legislative-Asks-National-Hospice-Groups-031720.pdf. Accessed on Mar. 28, 2024.

vaccines to the uninsured and underinsured.[8] The PRF program received a combined $178 billion in funding from the Coronavirus Aid, Relief, and Economic Security Act; the Paycheck Protection Program and Health Care Enhancement Act; and the Consolidated Appropriations Act, 2021, of which $145.9 billion was distributed to providers for health care-related expenses or lost revenue attributable to COVID-19.[9] PRF funds were generally distributed as direct payments to providers in a series of General and Targeted Distributions. Exhibit 1 (next page) details these PRF distributions to health care providers. For further details on how PRF payments were distributed, see Appendix C.

[8] According to HHS's *Instructions for the Distribution for Medicaid, CHIP, and Dental Providers Via Enhanced Provider Relief Fund Payment Portal*, lost revenues attributable to COVID-19 means "the amount of any patient care revenue that you as a health care provider lost due to coronavirus, net of any increased revenues due to coronavirus (e.g., insurance reimbursed treatment)." This revenue may include revenue losses associated with fewer outpatient visits or canceled elective procedures or services.

[9] Congress also appropriated $8.5 billion of COVID-19-related relief for rural providers enrolled in the Medicare or Medicaid programs (American Rescue Plan Act of 2021, P.L. No. 117-2). This funding is administered by HRSA and has similar limitations and requirements as the PRF but is not part of the PRF.

Exhibit 1: Provider Relief Fund Distributions to Health Care Providers



Note: Amounts for the Targeted Distributions in the above exhibit do not add to $57.5 billion due to rounding.

HHS's and HRSA's Oversight of the Provider Relief Fund Program

The HHS Office of the Secretary's direct responsibility for PRF program oversight and policy decisions allowed HHS to meet its mission to expedite the establishment of the PRF and the distribution of funds as quickly as possible for providers' health care-related expenses or lost revenues attributable to COVID-19. Within HHS, HRSA is responsible for providing day-to-day oversight and management of all aspects of the PRF program.[10]

[10] HHS and HRSA, *PRF General & Targeted Distribution Cycle Memo,* dated Sept. 30, 2020, and Sept. 30, 2021.

HRSA provided various resources to providers on the proper use and reporting of PRF payments, including issuing a series of Frequently Asked Questions (FAQs), and guidance on allowable expenses and lost revenue calculations.[11] HRSA also conducted technical assistance webinars on the reporting process. In addition, HRSA engaged external auditor firms to conduct risk-based audits for a sample of providers to ensure that providers used PRF payments in accordance with PRF terms and conditions.

Requirements for Hospices That Received Provider Relief Fund Payments

Providers, including hospices, may have been eligible to receive PRF payments from multiple distributions.[12, 13] Hospices that received PRF payments had to comply with certain provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards (45 CFR part 75). Specifically, the hospices had to comply with 45 CFR § 75.302 (Financial management and standards for financial management systems) and 45 CFR §§ 75.361 through 75.365 (Record retention and access).

As a condition of receiving PRF payments, providers agreed to the PRF terms and conditions, including meeting eligibility criteria; filing expenditure reports; and ensuring that payments were: (1) used to prevent, prepare for, or respond to COVID-19; (2) used for health care-related expenses or lost revenues (i.e., patient care revenues) attributable to COVID-19;[14] (3) not used to reimburse expenses or losses already reimbursed from other funding sources; and (4) not used to pay salaries in excess of a certain threshold or to pay for certain prohibited activities (e.g., lobbying).[15]

[11] HRSA, Provider Relief: Frequently Asked Questions web page, available at https://www.hrsa.gov/provider-relief/faq.

[12] PRF payments were distributed to providers based on providers' taxpayer identification numbers (TINs). Hospices and other providers were required to report on their PRF payments if they received $10,000 or more during a payment period. We use the term "hospice" to refer to a hospice reporting entity. A hospice reporting entity may have registered its TIN through the PRF Reporting Portal to report to HRSA on the use of PRF payments received by that TIN and TINs associated with the entity's subsidiary entities (e.g., individual hospices). A hospice may be a stand-alone hospice, a hospice group, or a parent organization.

[13] For details on General and Targeted Distribution payments, see Appendix C. In addition to PRF payments, we note that hospices may have received COVID-19-related assistance from the Federal Emergency Management Agency, the Department of the Treasury, and the Small Business Administration, as well as from grants and donations from local and State governments or private sources.

[14] Patient care means health care, services, and supports, as provided in a medical setting, at home, or via telehealth, or in the community. Items not considered patient care revenue include non-patient care dining services, grants, bad debt, any gains or losses on investments, and contractual adjustments.

[15] Recipients were not allowed to use PRF funds to pay any salary at a rate in excess of Executive Level II, which was set at $197,300 for 2020 and $199,300 for 2021.

Provider Relief Fund Expenditures and Lost Revenues

Hospices were required to use PRF distributions for expenses or lost revenues attributable to COVID-19. For expenses, hospices were required to report their use of PRF payments for COVID-19 health care-related expenses (e.g., expenses for purchasing equipment such as ventilators and sanitizing supplies for infection control) and COVID-19-related general and administrative expenses (e.g., salaries, utilities, and rent), including expenses incurred prior to receipt of PRF payments (i.e., pre-award costs dated back to January 1, 2020).[16] Hospices were required to follow their basis of accounting (cash or accrual basis) to determine expenses and only use PRF payments for eligible expenses or lost revenues during what is known as the period of availability.[17]

For lost revenues, hospices could apply their PRF payments toward lost revenue amounts during a period of availability calculated using one of the following three options:

1. the difference between actual net patient care revenues and 2019 net patient care revenues,

2. the difference between budgeted patient care revenues (approved by hospice officials prior to March 27, 2020) and actual patient care revenues, or

3. any reasonable method of estimating revenues.[18]

HRSA guidance for the treatment of unallowable or ineligible expenditures of PRF funds states that providers could replace unallowable or ineligible expenditures allocated to PRF payments in a closed reporting period with unreimbursed lost revenues in subsequent reporting periods. Providers are not required to return PRF payments used for unallowable purposes (e.g., lobbying) to the Federal Government if they have sufficient unreimbursed lost revenues to offset unallowable amounts. See Appendix D for a detailed description of how providers could choose to calculate lost revenues.

HOW WE CONDUCTED THIS AUDIT

Our audit covered $204.8 million in PRF Phase 1 General Distribution payments and related interest to a nonstatistical sample of 30 hospice taxpayer identification numbers (TINs) during

[16] HRSA FAQs.

[17] The period of availability ends 1 year after the end of the quarter or semiannual period in which the payment was received. The first payment receipt period was a quarter (April 1, 2020, through June 30, 2020). Subsequent payment receipt periods were 6 months.

[18] HRSA FAQs.

calendar year (CY) 2020.[19] (We refer to these sample units throughout the report as "hospices.")[20] The selected hospices reported that they used $80.2 million of their PRF payments to offset lost revenues, $89.8 million for general and administrative expenses, and the remaining $34.8 million for health care-related expenses.[21] Appendix E contains details on how the selected hospices used PRF payments issued in CY 2020.

We selected hospices based on an analysis that considered the amount of PRF payments received, geographic location, and organizational structure (e.g., hospice groups and stand-alone hospices).[22] We reviewed the hospices' PRF payments used to offset lost patient care revenues or cover general and administrative and health care-related expenses. Specifically, for each of the selected hospices that reported expenditures, we reviewed a nonstatistical sample of expenses that we selected based on materiality and expense descriptions (e.g., salaries, supplies, equipment). For the selected hospices that reported lost revenues, we reviewed the hospices' lost revenues calculations.[23]

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

[19] Some hospices kept their PRF payments in an interest-bearing account and included interest in the amounts reported on expenditure reports submitted to HRSA.

[20] The sampling frame consisted of 2,606 unique hospices that received and kept 1 or more PRF payments totaling approximately $899 million. PRF payment recipients had 90 days to return a payment to HHS, otherwise the recipient was deemed to have accepted the terms and conditions. Our sample included hospices that received PRF payments issued in CY 2020 and for which hospices attested to the payment terms and conditions or were deemed to have accepted the terms and conditions.

[21] Hospices reported these amounts on expenditure reports submitted to HRSA for reporting periods 1 and 2.

[22] Our sample unit was a hospice that reported the use of PRF General Distribution payments. Each sampled hospice could be a stand-alone hospice or part of a parent-subsidiary system that may include other provider types (e.g., palliative care and home health agencies). The 30 selected hospices each received more than $1 million in PRF payments during CY 2020 and are located in 16 States. Ten of the hospices are hospice groups and 20 are stand-alone hospices. Appendix F contains details on the sampled hospices, including whether they were for-profit or nonprofit entities.

[23] Of the 30 selected hospices, 22 hospices claimed both expenses and lost revenues, 6 hospices claimed only expenses, and 2 hospices claimed only lost revenues.

FINDINGS

Of the 30 selected hospices, 23 used the funds for allowable general and administrative and health care-related expenditures attributable to COVID-19 and to offset lost revenues attributable to COVID-19. However, the remaining seven hospices did not comply or may not have complied with Federal requirements. Specifically, six hospices used PRF payments for unallowable expenditures or inaccurately calculated lost revenues, and one hospice may have used PRF payments for unsupported or unallowable expenditures. These deficiencies occurred because although HRSA provided the PRF terms and conditions and updated its guidance to PRF recipients, the hospices did not always maintain documentation for expenses reported, correctly interpret HRSA guidance, have procedures to verify the accuracy of lost revenue calculations, or track expenses funded by PRF payments.

As a result of these deficiencies, 6 of the 30 selected hospices reported a total of approximately $8.3 million of unallowable PRF expenditures and inaccurately reported approximately $1.5 million of lost revenues. In addition, one of the selected hospices reported approximately $4 million in expenditures that may not have been allowable. These funds could have been used to offset allowable lost revenues or to support other activities related to the COVID-19 national emergency, including preventing, preparing for, and responding to COVID-19.

SOME HOSPICES USED PROVIDER RELIEF FUND PAYMENTS FOR UNALLOWABLE EXPENDITURES AND INACCURATELY CALCULATED LOST REVENUES

Costs Not Adequately Supported

PRF recipients must comply with certain Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards (45 CFR part 75). The financial management system of each PRF recipient must provide accurate, current, and complete disclosure of the financial results of each Federal award or program. The PRF recipient's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(2) and (3)).

Four sampled hospices used their PRF payments for costs totaling $672,482 that were not adequately supported. Two of these hospices did not provide invoices or proof of payment for $31,670 of expenses we reviewed. Another hospice did not provide timesheets or other documentation to support $1,044 of payroll expenses related to one contractor for two different dates. A fourth hospice did not provide support for expenses totaling $639,768 for another hospice that was acquired by the sampled hospice.[24] The sampled hospice (i.e., the purchasing hospice) did not obtain any invoices or proof of payment to support the portion of the PRF payments spent by the acquired hospice.

[24] The acquired hospice received $2.5 million of PRF payments and spent $639,769.

Unallowable Costs

As a condition of receiving PRF payments, hospices agreed to the PRF terms and conditions, including meeting eligibility criteria; filing expenditure reports; and ensuring that payments were: (1) used for purposes related to COVID-19 (e.g., expenses paid for purchasing equipment such as ventilators and sanitizing equipment to prevent, prepare for, or respond to COVID-19), (2) applied to offset eligible lost revenues attributable to COVID-19 (e.g., lost patient care revenue), (3) not duplicated by other funding sources, and (4) not used to reimburse salaries in excess of a certain threshold or to pay for certain prohibited activities (e.g., lobbying).

One sampled hospice inappropriately reported estimated income tax expenses among its lost revenues, totaling $7,634,036, which are unallowable expenditures. The hospice asserted that if it earned the amount it reported as lost revenues it would have been subject to the estimated income taxes it reported. Although HRSA's FAQs indicated that providers were allowed to pay actual income taxes with PRF payments, HRSA indicated that it did not intend for providers to calculate estimated income taxes on lost revenue amounts (i.e., income not received) and consider them as eligible expenses.

Inaccurate Lost Revenue Calculations

PRF payment amounts not fully expended on health care-related expenses attributable to COVID-19 may be applied to lost revenues. Lost revenues can be calculated by one of three options, including determining the difference between 2019 net patient care revenues and net patient care revenues during the period of availability.

In its lost revenue calculation, one sampled hospice erroneously included certain patient care revenue amounts for 2019 that it omitted from its net patient care revenues for 2020. As a result, the hospice received $1,461,552 of excess PRF payments. The hospice's chief financial officer (CFO) stated that this occurred because the hospice included intercompany account revenues in its 2019 calculation but did not include these revenues in its 2020 calculation, which resulted in an inflated base year revenue amount. The CFO further stated that the error was subsequently identified by external auditors. The hospice returned the excess PRF payments during our audit fieldwork.[25]

ONE HOSPICE MAY HAVE USED PROVIDER RELIEF FUND PAYMENTS FOR UNALLOWABLE EXPENDITURES

PRF recipients' financial management systems must be sufficient to trace funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and terms and conditions of the Federal award (45 CFR § 75.302(a)). The financial management system of each PRF recipient must provide accurate, current, and

[25] We confirmed that the hospice repaid the inaccurate lost revenues identified, totaling $1,461,552, to the Federal Government on Aug. 25, 2023. Therefore, this amount is not included in our recommendations.

complete disclosure of the financial results of each Federal award or program. The PRF recipient's records must identify the source and application of funds for federally funded activities and be supported by source documentation (45 CFR §§ 75.302(b)(2) and (3)).

One sampled hospice used $3,967,025 of its PRF payments for costs that may be unallowable. Specifically, the hospice commingled $3,967,025 in PRF payments with payments from other funding sources[26] and was not able to provide general ledger details to reconcile this amount to the amount it reported to HRSA.[27]

CAUSES FOR UNALLOWABLE AND POTENTIALLY UNALLOWABLE EXPENDITURES AND INACCURATELY CALCULATED LOST REVENUES

These deficiencies occurred because although HRSA provided the PRF terms and conditions and updated its guidance to PRF recipients, the hospices did not always maintain documentation for expenses reported, correctly interpret HRSA guidance, have procedures to verify the accuracy of lost revenue calculations, or track expenses funded by PRF payments. As a result, hospices did not always use their PRF payments for expenses or lost revenues attributable to COVID-19 or maintain sufficient supporting documentation for costs that were allocated to their PRF payments. Hospices asserted that during the COVID-19 national emergency they focused on securing supplies and equipment needed for their staffs to continue to deliver high-quality care.

Further, in the context of extraordinary challenges from the COVID-19 national emergency, HRSA's operational objective at the beginning of the national emergency was to rapidly disburse PRF payments to support providers facing severe economic hardship during the national emergency. According to the hospices, the unprecedented nature of the pandemic, coupled with a lack of resources, sometimes resulted in insufficient documentation being maintained to support the use of PRF payments. In addition, hospices stated that HRSA's FAQs were sometimes confusing, which may have led hospices to misinterpret HRSA's guidance.

In addition to the recommendations below, key stakeholders and decisionmakers should use the information included in this report when determining lessons learned from administering PRF distributions during the COVID-19 national emergency and look for additional ways to safeguard Federal funds when rapidly disbursing assistance payments to providers in response to future national emergencies. Accordingly, we plan to make a recommendation to HHS in a future product.

[26] Other funding sources for this hospice included Medicare and Medicaid claim reimbursement payments.

[27] The hospice provided monthly general ledger transactions; however, it could not distinguish which expenses applied to PRF payments.

RECOMMENDATIONS

We recommend that the Health Resources and Services Administration:

- require the six hospices identified in our report as having used PRF payments for unallowable expenditures, totaling $8,306,519, to return the PRF payments to the Federal Government or ensure that the hospices properly replace the unallowable expenditures with allowable unreimbursed lost revenues or eligible expenses, if applicable, and

- work with the hospice identified in our report as having used $3,967,025 of its PRF payments for potentially unallowable expenditures to determine what amounts should have been allocated and require the hospice to return unallowable amounts to the Federal Government or ensure that the hospice properly replaces these unallowable expenditures with unreimbursed lost revenues or eligible expenses, if applicable.

HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

In written comments on our draft report, HRSA concurred with our recommendations. HRSA stated that it will review the records for the hospices identified in our report as having used PRF payments for unallowable or potentially unallowable costs and seek repayment as appropriate.

HRSA also provided technical comments, which we addressed as appropriate.[28] HRSA's comments, excluding the technical comments, are included as Appendix G.

[28] We note that HRSA's technical comments included minor revisions to our recommendations, which we incorporated.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We identified 2,606 unique TINs related to hospice providers that received and kept Phase 1 General Distribution PRF payments during CY 2020 totaling approximately $899 million. We selected for audit a nonstatistical sample of 30 hospices that received PRF payments from General Distributions totaling $204.8 million during CY 2020.[29] We selected hospices based on a risk analysis that considered the amount of PRF payments received, geographic location, and organizational structure (e.g., hospice groups and stand-alone hospices). We reviewed the hospices' PRF payments used to offset lost patient care revenues and/or cover general and administrative and health care-related expenses. We reviewed the selected hospices' use of PRF payments received from General Distributions.

We limited our review of HRSA's and the selected hospices' internal controls to those applicable to our audit objective. We did not assess HRSA's or the hospices' overall internal control structure. Specifically, we reviewed HRSA's policies and procedures for reviewing expenditure information submitted by providers and its guidance to providers on the use and reporting of PRF payments. We also reviewed selected hospice providers' policies and procedures for monitoring, tracking, and expending PRF payments.

We established reasonable assurance of the authenticity and accuracy of the PRF payment data by reconciling it with PRF expenditure reports hospices submitted through HRSA's PRF Reporting Portal.

We conducted our audit from June 2022 through August 2024.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance, including the PRF terms and conditions and HRSA's FAQs related to PRF payments;

- met with HRSA officials to gain an understanding of the PRF's payment terms and conditions, reporting requirements, and HRSA's monitoring and oversight activities;

[29] PRF payment recipients had 90 days to return a payment to HHS, otherwise the recipient was deemed to have accepted the terms and conditions. Our sample included hospices that received PRF payments issued in CY 2020 and for which hospices attested to the payment terms and conditions or were deemed to have accepted the terms and conditions.

- reviewed HRSA's policies and procedures related to its oversight of recipients' reporting on the use of PRF funds and compliance with the terms and conditions for PRF payments;

- obtained PRF payment data for Phase 1 General Distributions in 2020;

- compiled a list of 2,606 hospices that received and kept Phase 1 General Distribution PRF payments in 2020;

- selected a nonstatistical sample of 30 hospices that received PRF payments based on the amount of PRF payments received, geographic location, and organizational structure (hospice groups and stand-alone hospices);

- for each hospice selected, interviewed hospice officials; reviewed its expenditure reports submitted to HRSA and a nonstatistical sample of expenses based on materiality and expense descriptions; and analyzed supporting accounting, personnel, and other records to determine whether:

    - payments were used to prevent, prepare for, and respond to COVID-19;

    - payments were used for health care-related expenses, general and administrative expenses, or lost revenues attributable to COVID-19, and that the amount for any lost revenues applied toward PRF payments was accurately calculated;[30]

    - payments were used for expenses or lost revenues that were reimbursed by other funding sources (e.g., reimbursements from the Federal Emergency Management Agency, Medicare/Medicaid or commercial health insurance, Paycheck Protection Program, and assistance from State or local government agencies); and

    - payments were used to pay salaries at a rate in excess of certain thresholds or for other prohibited activities; and

- discussed the results of our audit with HRSA officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[30] We recalculated the lost revenue amount using the same option that the entity used for determining lost revenues.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
HRSA Made Some Potential Overpayments to Providers Under the Phase 2 General Distribution of the Provider Relief Fund Program	A-09-22-06001	3/4/2024
The Provider Relief Fund Helped Select Nursing Homes Maintain Services During the COVID 19 Pandemic, but Some Found Guidance Difficult to Use	OEI-06-22-00040	12/12/2023
HHS's Oversight of Automatic Provider Relief Fund Payments Was Generally Effective but Improvements Could Be Made	A-02-20-01025	10/30/2023
HRSA Made COVID-19 Uninsured Program Payments to Providers on Behalf of Individuals Who Had Health Insurance Coverage and for Services Unrelated to COVID-19	A-02-21-01013	7/13/2023
Targeted Provider Relief Funds Allocated to Hospitals Had Some Differences With Respect to the Ethnicity and Race of Populations Served	OEI-05-20-00580	7/12/2023
HHS's and HRSA's Controls Related to Selected Provider Relief Fund Program Requirements Could Be Improved	A-09-21-06001	9/26/2022

APPENDIX C: PROVIDER RELIEF FUND GENERAL AND TARGETED DISTRIBUTION PAYMENTS

As of February 2024, HRSA distributed $145.9 billion of the $178 billion appropriated to the PRF. Of the $145.9 billion, $88.4 billion was distributed in General Distributions, and $57.5 billion was distributed in several Targeted Distributions. A portion of the remaining $32.1 billion has been distributed or allocated for HRSA's program for uninsured individuals, the COVID-19 Coverage Assistance Fund, and Phase 4 General Distribution payments.[31]

General Distributions

HRSA made General Distributions in four phases to health care providers, including Medicare providers; providers participating in Medicaid, the Children's Health Insurance Program (CHIP), or Medicaid managed care plans; dentists; assisted living facilities; and behavioral health providers.

- *Phase 1 General Distribution:* HRSA distributed $48.5 billion to providers in two rounds under the Phase 1 General Distribution for eligible providers that billed Medicare fee-for-service. These funds were allocated proportional to providers' share of annual patient service revenues.

- *Phase 2 General Distribution:* HRSA distributed $5 billion in the Phase 2 General Distribution to Medicaid, CHIP, and dental providers, as well as assisted living facilities and certain Medicare providers who did not receive a Phase 1 General Distribution payment equal to 2 percent of their total patient care revenue or had a change in ownership in 2019 or 2020. Providers were required to apply for funding and included in their applications certain financial information related to documenting revenue necessary to determine the amount that a facility would receive.

- *Phase 3 General Distribution:* HRSA distributed $19.3 billion in the Phase 3 General Distribution to providers that had not received funding in prior distributions (i.e., because they were new or because they were behavioral health providers not included in a prior allocation). Providers that had previously received PRF payments but had not received the full 2 percent of their annual patient revenue in PRF assistance were also eligible to apply for additional funds. Providers were required to apply for these funds.

- *Phase 4 General Distribution:* HRSA distributed approximately $15.6 billion in the Phase 4 General Distribution to providers based on changes in revenues and expenses as well as the amount and type of services provided to Medicare, Medicaid, and/or CHIP patients. Providers were required to apply for these funds.

[31] As of June 2023, with the passage of the Fiscal Responsibility Act of 2023, P.L. No. 118-5, Congress rescinded some unobligated PRF funds. In response, HRSA stopped making PRF payments to providers.

Targeted Distributions

HRSA also distributed PRF funds to target certain types of providers that had high needs due to COVID-19. These included the following:

- *COVID-19 High-Impact Area Distributions:* HRSA distributed nearly $22 billion in COVID-19 high-impact area payments to hospitals that had large numbers of COVID-19 inpatient admissions.[32]

- *Safety Net Hospitals and Children's Hospitals:* HRSA distributed $13.3 billion to safety net hospitals and acute care hospitals and $1.1 billion to children's hospitals.

- *Rural Distributions:* HRSA distributed $11.2 billion in payments to rural hospitals, including rural acute care general hospitals and critical access hospitals; rural health clinics; and Federally Qualified Health Centers located in rural areas, including specialty rural hospitals, urban hospitals with certain rural Medicare designations, and hospitals in small metropolitan areas.

- *Tribal Hospitals, Clinics, and Urban Health Centers/Indian Health Service Provider Payments:* HRSA distributed $540 million in relief funds to Tribal hospitals, clinics, and urban health centers. These payments were based on operating expenses.

- *Skilled Nursing Facilities and Nursing Homes Payments:* HRSA distributed $4.9 billion in skilled nursing facility distribution payments. Additionally, to help combat the effects of COVID-19, HRSA distributed $4.5 billion to skilled nursing facilities and nursing homes nationwide, which included payments for infection control and quality incentive payments to nursing homes that created and maintained safe environments for their residents.

[32] Hospitals that treated 100 or more COVID-19 patients between Jan. 1 and Apr. 10, 2020, were eligible for the first round of high-impact distributions. Hospitals that treated more than 160 COVID-19 patients between Jan. 1 and June 10, 2020, were eligible for the second round of high-impact distributions.

APPENDIX D: OPTIONS FOR CALCULATING LOST REVENUES

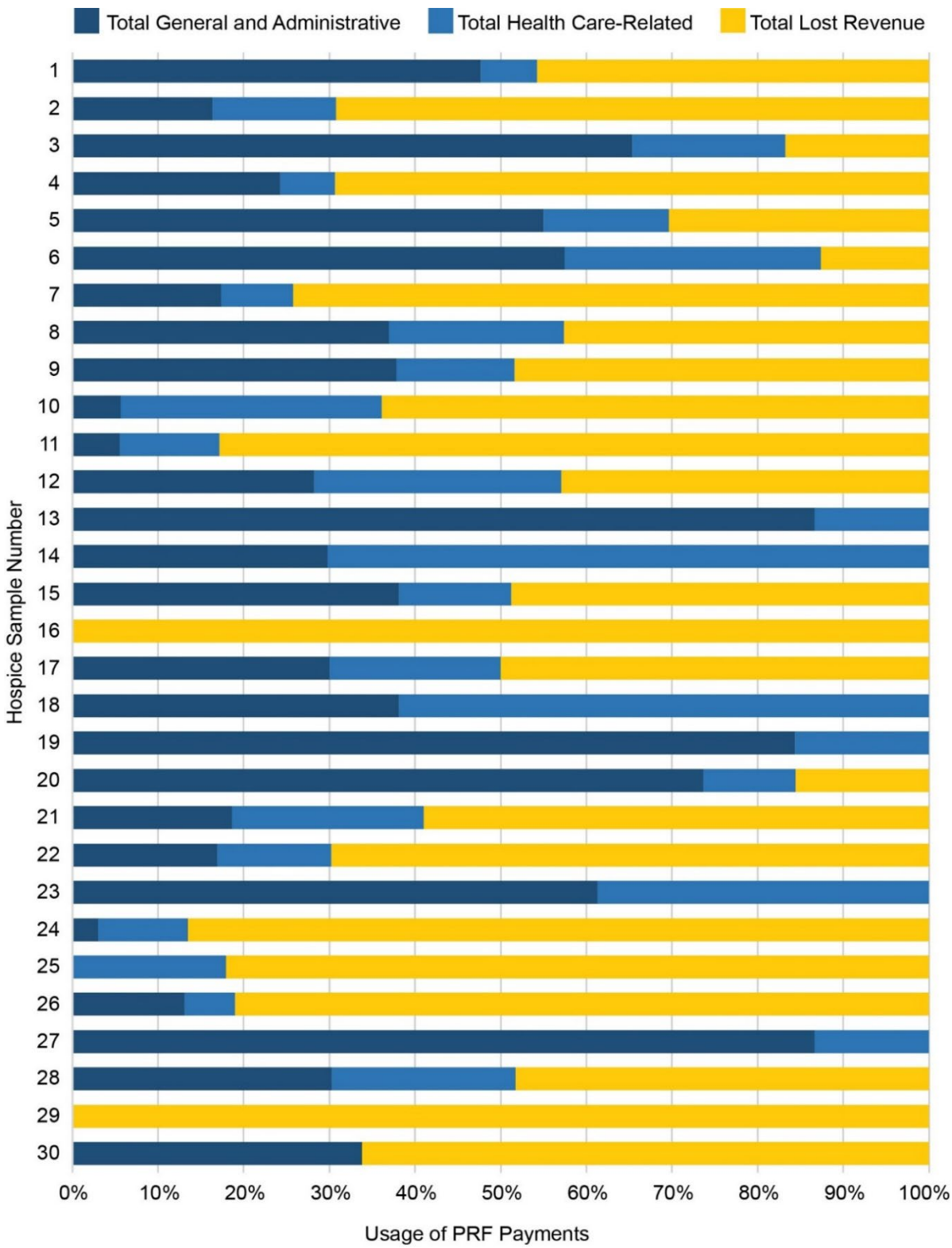
Providers, including hospices, could use one of the following three options to calculate their lost revenues.

Table 1: Options for Calculating Lost Revenues

Lost Revenues Options	Option 1	Option 2	Option 3
Definition of Option	*The difference between actual patient care revenues*	*The difference between budgeted and actual patient care revenues*	*Any reasonable method of estimating revenues*
PRF Reporting Portal Option	2019 Actual Revenue	2020 Budgeted Revenue	Alternate Reasonable Methodology
Base Period for Calculation	2019	2020 or 2021	Not prescribed
Calculation Method	Actuals vs. Actuals (e.g., Q1 2020 vs. Q1 2019)	Budget vs. Actuals	Not prescribed
Frequency of Calculation	Quarterly	Quarterly	Quarterly
Duration of Lost Revenues Period	Each quarter during the period of availability	Each quarter during the period of availability	Each quarter during the period of availability in which lost revenues were determined
Service Lines to Include in Revenues	All patient care services	All patient care services	All patient care services (as appropriate for methodology)
Budget Approval Date	Not applicable	Before March 27, 2020	Not prescribed

Source: HRSA, *Provider Relief Fund Lost Revenues Guide – Reporting Period 1*, August 2021. Available online at https://www.hrsa.gov/sites/default/files/hrsa/provider-relief/prf-lost-revenues-guide.pdf. Accessed on June 25, 2024.

APPENDIX E: SELECTED HOSPICES' REPORTED USE OF CY 2020 PROVIDER RELIEF FUND PAYMENTS



APPENDIX F: SUMMARY OF SAMPLED HOSPICES' UNALLOWABLE OR POTENTIALLY UNALLOWABLE AMOUNTS

Sample No.	Entity Designation	PRF Payment(s) Received	Unallowable or Potentially Unallowable Amount	Reason for Unallowable or Potentially Unallowable Amount
1	For Profit	$ 3,948,975	$ -	
2	Nonprofit	2,239,857	-	
3	Nonprofit	8,620,154	-	
4	For Profit	2,158,548	1,461,552	Inaccurate lost revenue calculation
5	For Profit	80,257,023	7,634,036	Unallowable costs
6	Nonprofit	2,465,611	-	
7	For Profit	2,967,332	1,910	Costs not adequately supported
8	Nonprofit	3,652,036	-	
9	Nonprofit	4,334,723	-	
10	Nonprofit	5,047,215	-	
11	Nonprofit	4,391,356	-	
12	Nonprofit	5,296,663	-	
13	Nonprofit	4,975,045	-	
14	Nonprofit	5,721,679	-	
15	Nonprofit	4,022,069	1,044	Costs not adequately supported
16	Nonprofit	3,868,469	-	
17	Nonprofit	2,487,914	-	
18	For Profit	3,967,025	3,967,025	Potentially unallowable
19	Nonprofit	3,116,893	-	
20	Nonprofit	7,217,613	-	
21	Nonprofit	3,603,237	-	
22	Nonprofit	3,744,619	-	
23	Nonprofit	2,809,581	-	
24	Nonprofit	3,676,085	-	
25	Nonprofit	2,226,329	29,760	Costs not adequately supported
26	For Profit	2,598,715	-	
27	For Profit	2,532,207	639,768	Costs not adequately supported
28	Nonprofit	8,091,520	-	
29	For Profit	2,234,270	-	
30	Nonprofit	11,746,269	-	
TOTAL		**$ 204,019,032**	**$ 13,735,095**	

Note: PRF payment amounts listed do not include related interest.

APPENDIX G: HEALTH RESOURCES AND SERVICES ADMINISTRATION COMMENTS

HRSA
Health Resources & Services Administration
Office of Federal Assistance and Acquisition Management
5600 Fishers Lane
Rockville, MD 20857

DATE: September 11, 2024

TO: Juliet T. Hodgkins
Principal Deputy Inspector General

FROM: Cynthia Baugh
Associate Administrator

CYNTHIA R. BAUGH -S
Digitally signed by CYNTHIA R. BAUGH -S
Date: 2024.09.11 18:21:22 -04'00'

SUBJECT: OIG Draft Report: A-02-22-01014

Attached is the Health Resources and Services Administration's response to the above subject report. If you have any questions, please contact Sandy Seaton in the Health Resources and Services Administration's Office of Federal Assistance and Acquisition Management at (301) 443-2432.

Attachments

Seven of Thirty Hospices Reviewed Did Not Comply or May Not Have Complied With Terms and Conditions and Federal Requirements for Provider Relief Fund Payments, A-02-22-01014

General Comments

The Health Resources and Services Administration (HRSA) appreciates the opportunity to review the Office of Inspector General's (OIG) Draft Report titled "*Seven of Thirty Hospices Reviewed Did Not Comply or May Not Have Complied With Terms and Conditions and Federal Requirements for Provider Relief Fund Payments.*"

HRSA is responses to the OIG Draft Report Recommendations are as follows:

OIG Recommendation 1

OIG recommends that HRSA require the hospices identified in its report as having used PRF payments for unallowable expenditures, totaling $8,306,519, to refund the PRF payments to the Federal Government or ensure that the hospices properly replace the expenditures with allowable unreimbursed lost revenues, if applicable.

HRSA Response

HRSA concurs with OIG's recommendation. HRSA will review these records and seek repayment, as appropriate.

OIG Recommendation 2

OIG recommends that HRSA work with the hospice identified in its report as having claimed $3,967,025 of potentially unallowable expenditures to determine what amounts should have been allocated and require the hospice to refund unallowable amounts to the Federal Government or ensure that the hospice properly replaces these unallowable expenditures with unreimbursed lost revenues, if applicable.

HRSA Response

HRSA concurs with OIG's recommendation. HRSA will review these records and seek repayment, as appropriate.

Report Fraud, Waste, and Abuse

OIG Hotline Operations accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in HHS programs. Hotline tips are incredibly valuable, and we appreciate your efforts to help us stamp out fraud, waste, and abuse.

TIPS.HHS.GOV

Phone: 1-800-447-8477

TTY: 1-800-377-4950

Who Can Report?

Anyone who suspects fraud, waste, and abuse should report their concerns to the OIG Hotline. OIG addresses complaints about misconduct and mismanagement in HHS programs, fraudulent claims submitted to Federal health care programs such as Medicare, abuse or neglect in nursing homes, and many more. Learn more about complaints OIG investigates.

How Does it Help?

Every complaint helps OIG carry out its mission of overseeing HHS programs and protecting the individuals they serve. By reporting your concerns to the OIG Hotline, you help us safeguard taxpayer dollars and ensure the success of our oversight efforts.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act of 1978, and other applicable laws protect complainants. The Inspector General Act states that the Inspector General shall not disclose the identity of an HHS employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-HHS employees who report allegations may also specifically request confidentiality.

Stay In Touch

Follow HHS-OIG for up to date news and publications.

 OIGatHHS

 HHS Office of Inspector General

Subscribe To Our Newsletter

OIG.HHS.GOV

Contact Us

For specific contact information, please visit us online.

U.S. Department of Health and Human Services
Office of Inspector General
Public Affairs
330 Independence Ave., SW
Washington, DC 20201

Email: Public.Affairs@oig.hhs.gov