

HHS Changes Stance on Depreciation

Today, Health and Human Services (HHS) posted three updates to its provider relief funds (PRF) frequently asked questions (FAQs).

Depreciable Items

In its late October edition, HHS noted that only the depreciation amount of equipment purchased could be paid with PRFs. However, today, they **specifically are allowing the full cost of capital equipment purchases as well as capital facilities projects as eligible expenses.**

These costs can be fully expensed if the purchase was directly related to preventing, preparing for, or responding to the coronavirus. Some of the examples cited include:

- Ventilators
- CT scanners
- Other ICU-related equipment put into immediate use or held in inventory
- Upgrading heating, ventilation, and air conditioning to support negative pressure units
- Retrofitting a COVID-19 unit
- Enhancing or reconfiguring ICU capabilities

In our opinion, if you can show the capital item was purchased in response to COVID-19 (preparing for, responding to, or preventing), those capital items can again be claimed.

For critical access hospitals, the estimated amount that would be paid by other cost-based payors will still need to be discounted.

Unrelated Patient Revenue Fluctuations

Also in today's updated FAQs, HHS has clarified that settlements or payments from payors that relate to prior years can be omitted. This means that if, for example, you reopened a prior cost report and just now are getting the requested funds, that settlement can be omitted.

Cost report settlements with a June 30 year end should be prorated for the period of the year in which they relate. Current cost report settlements with a December 31 year end can simply be accrued back to the correct period.

Closing

If you have questions or require additional information, please call me at 509.321.9485.