Grant Thornton

Snapshot

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Accounting for Provider Relief Funds

The CARES Act created the Provider Relief Fund (PRF) to reimburse eligible healthcare providers for healthcare-related expenses and lost revenues attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) administers the PRF.

On June 19, HHS issued a Frequently Asked Question (FAQ), which described the types of expenses that would be permissible uses of PRF distributions. The FAQ indicated that "The term 'lost revenues that are attributable to coronavirus' means any revenue that you as a health care provider lost due to coronavirus." However, on September 19, HHS issued instructions, via a Post-Payment Notice of Reporting Requirements, for reporting on the use of PRF distributions, which placed a new limitation on the permissible use of PRF money based on a measure of lost *profitability* rather than lost *revenue*. Finally, on October 22, in response to feedback received, HHS amended the reporting instructions, via a Reporting Requirements Policy Update, to provide for the full applicability of PRF distributions to lost revenues, effectively reverting back to the definition of "lost revenues" described in the June 19 FAQ.

Definition of 'lost revenues' applicable at the reporting date

For reporting entities with reporting dates after June 19, 2020, but before September 19, 2020, the September 19 instructions are a "nonrecognized (Type II) subsequent event" as defined in ASC 855-10-25-3. Accordingly, reporting entities with reporting dates after June 19, 2020, but before September 19, 2020, should use the definition of "lost revenues" outlined in the June 19 FAQ.

Similarly, for reporting entities with reporting dates on or after September 19, 2020, but before October 22, 2020, the October 22 amendment to the September 19 instructions is a Type II subsequent event. Accordingly, reporting entities with reporting dates on or after September 19, 2020, but before October 22, 2020, should use the definition of "lost revenues" outlined in the September 19 instructions.

Finally, reporting entities with reporting dates on or after October 22, 2020 should use the definition of "lost revenues" that is reflected in the amendments in the October 22 policy update.

Recognizing PRF monies in income

Not-for-profit entities that receive PRF monies should account for these funds pursuant to the guidance in ASC 958-605, which states that funds received under conditional grants should be recognized as a refundable advance, until the conditions have been substantially met or explicitly waived by the grantor.

U.S. GAAP does not provide specific guidance on the accounting for government grants awarded to for-profit business entities. Business entities that receive government grants may consider accounting for these grants by analogizing to one of several recognition models, including the guidance on contingent gains in ASC 450-30 or on government grants and assistance in International Accounting Standard 20.

For more on accounting for government grants received by businesses, see NDS 2020-04.

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