

MEMORANDUM

TO: C. Aaron LeMay, CPA, JD, MSEd
Vice President, Financial Accounting and Reporting

FROM: Desolyn Foy, CPA, CIA, MHA
Vice President, Audit Services

DATE: October 14, 2021

SUBJECT: COVID-19 Federal Funding Compliance Engagement
Engagement Number 2021-012

Attached is the final audit report regarding the COVID-19 Federal Funding Compliance Engagement. This audit will be presented at the next Institutional Audit Committee meeting.

Thank you for your cooperation and assistance during the course of this review. If you have any questions or comments regarding the audit, please feel free to contact me at (409) 747-3277.

c: Ben G. Raimer, MD, MA, FAAP
Cheryl Sadro, CPA, MSM



The University of Texas Medical Branch
Audit Services

Audit Report

COVID-19 Federal Funding Compliance

Engagement Number 2021-021

October 2021

The University of Texas Medical Branch
Audit Services
301 University Boulevard, Suite 4.100
Galveston, Texas 77555-0150

COVID-19 Federal Funding Compliance Engagement

Engagement Number: 2021-012

Background

Provider Relief Funding

The COVID-19 pandemic had a negative financial impact on UTMB Health and the Department of Health and Human Services provided \$85M of Provider Relief Funding (PRF) to offset the impact. In accepting the funds, UTMB certified that the funds will be used to “prevent, prepare for and respond” to the virus and payment will be used to reimburse COVID-19 health care related expenses or lost revenues. The Department of Health Resources and Services Administration (HRSA) administers the reporting and established the PFR portal for recipients to report the use of the funds with the first report due September 2021. There is a 60-day grace period due to the Delta variant COVID surge.

Reporting Requirements

The rules required first tier reporting as reimbursable healthcare related expenses and the second tier as lost revenue. Another stipulation was to report payments received to all entities that operate under separate tax identification numbers. Reporting Period 1 spanned from April 1, 2020 through June 30, 2021 to capture payments received during the period. Another key provision of the rule was to ensure that the stimulus was used to support financial activities that were not already reimbursed or obligated to be reimbursed from other sources.

UTMB Reporting

UTMB Leadership considered the reporting requirements, consulted with various leaders/teams within UTMB, University of Texas System and others to collaborate and agree on the reporting method. The two reporting tax entities are Hospital Billing (\$60.5M) and Faculty Group Physician Billing (\$25M). From the first receipt of stimulus funds, UTMB elected to apply the \$85M to lost revenues. The reporting was adapted to the HRSA approved method - Net Patient Care Revenue Budget-to-Actual. Tier 1 healthcare expenses will be filed as claims against other sources (e.g., Federal Emergency Management Agency).

Leadership applied the following assumptions and methodologies to derive the information needed to meet the HRSA reporting requirements.

- The FY20 and forecasted FY21-22 budgets were approved by the Chief Business Officer prior to the March 27, 2020 date HRSA established.
- Leadership considered all required eliminations from both budget and actual revenue to ensure they did not include reimbursable amounts from other sources (e.g., correctional managed care).
- Net Patient Care Revenue (NPCR) was calculated based upon the HRSA definition.
- The monthly spread of the actual and budget revenue was based upon an established methodology and vetted with Leadership. The budget was derived from a run rate for the first six months of FY19 and then adjusted for expected growth at League City and Clear Lake Hospitals.
- The breakout by financial class was derived by the information available in June 2019, to prepare the FY20 budget submitted to UT System, mapped to the six PRF financial classes.

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The following table provides a summary of the lost revenue by quarter.

Quarter	Hospital Billing	Faculty Group Physician Billing	Total
Q1 2020	(\$29,439,072)	(\$7,799,360)	(\$37,238,432)
Q2 2020	(61,878,468)	(22,172,014)	(84,050,482)
Q3 2020	(22,145,025)	(7,158,961)	(29,303,986)
Q4 2020	(4,528,870)	(6,823,026)	(11,351,896)
Q1 2021	(16,230,141)	(4,541,292)	(20,771,434)
Q2 2021	(25,284,427)	0	(25,284,427)
Total	(\$159,506,003)	(\$48,494,654)	(\$208,000,657)
PRF Funding	60,477,126	25,287,024	\$85,764,150
Unfunded Lost Revenue	(\$99,028,877)	(\$23,207,630)	(\$122,236,507)

Objective, Scope and Methodology

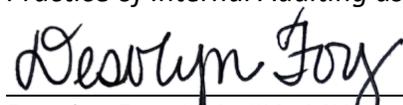
The objective of this engagement was to evaluate the methodology, compliance, and accuracy of the PRF reporting. Specifically, we performed the following:

- Confirmed the March 27, 2020 approved three-year budget (FY20, FY21 and FY22) used as the basis for lost revenue calculation.
- Evaluated the reasonableness of revenue classifications and eliminations.
- Recalculated conversion of financial data from UTMB Health’s fiscal year to the HRSA required calendar year reporting.
- Recalculated the quarterly budget to actual revenue to determine the lost revenue based upon supporting documentation.

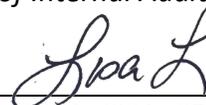
Results & Conclusion

Our evaluation of the PRF reporting processes and calculations supported the lost revenue determinations in accordance with HRSA requirements. We greatly appreciate the assistance provided by Financial Accounting and Reporting.

The engagement was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors.



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