

COVID-19 Economic Impact Funding for Community Health Centers

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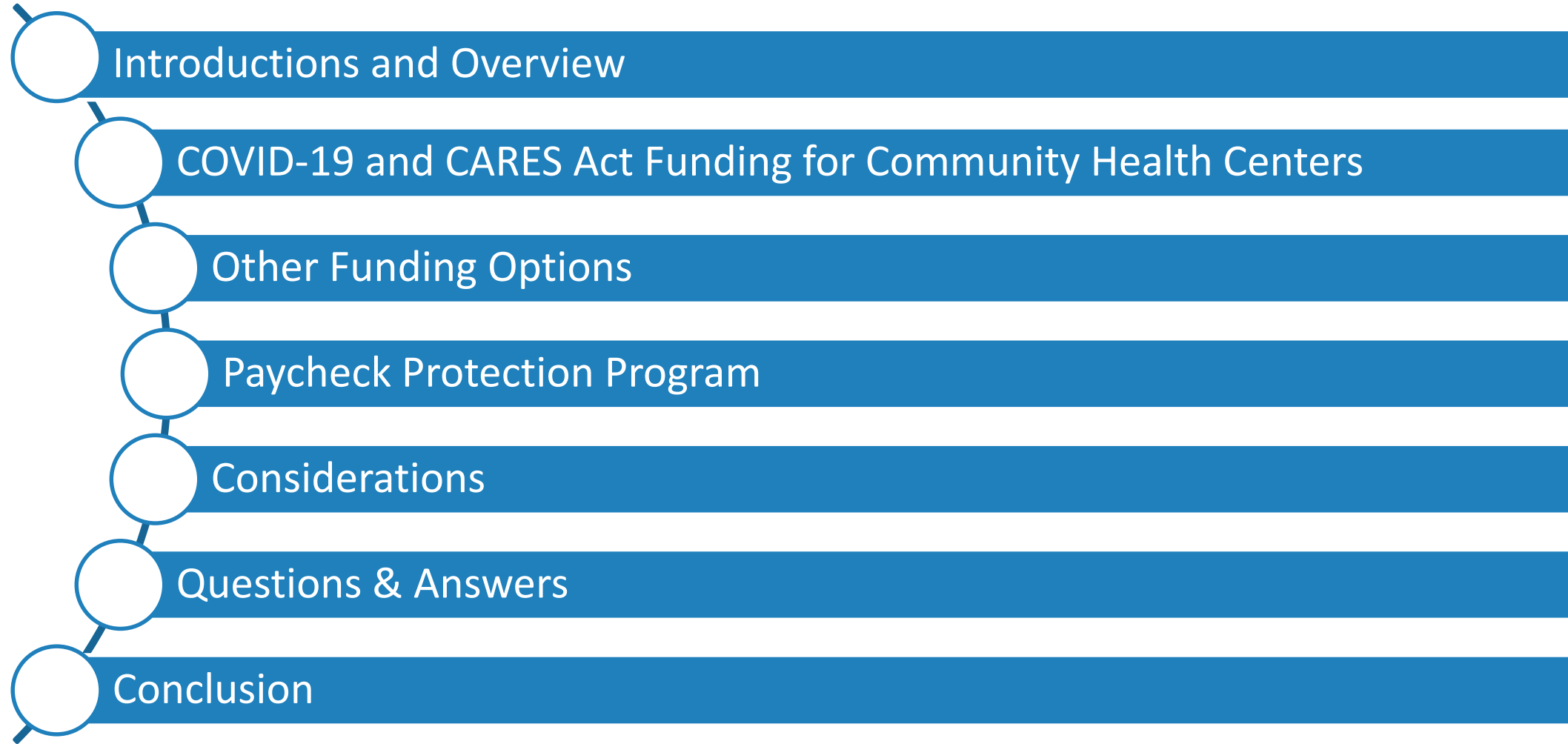


Create Opportunities

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Agenda





Introductions and Overview

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COVID-19 State-of-Play: Regulatory, Legislative

Congress

- LAW: March 6: COVID-19 funding package #1, Coronavirus Preparedness and Response Supplemental Act (P.L. 116-123), enacted
- LAW: March 18: COVID-19 funding package #2, Families First Coronavirus Response Act (P.L. 116-127), enacted
- LAW: March 27: COVID-19 funding package #3, Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), \$2+ trillion dollar economic stimulus package, enacted
- April 24: Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), enacted, provides \$484 billion

Administration

- March 13: President declares COVID-19 a national emergency
- March 13: CMS announces various 1135 waivers (now allowed because of declaration of emergency)
- Many, many waivers, guidance coming out from agencies daily related to the funding programs and/or flexibilities

COVID-19 Package #1, Coronavirus Preparedness and Response Supplemental Act (Public Law 116-123)

\$8.3 billion package includes:

- \$2.2 billion dollars for the Centers for Disease Control and Prevention (CDC)
 - \$950 million directed to states, local, territories and tribes to support various public health activities.
 - Of that \$950 million, \$475 million must be allocated within 30 days and no less than \$40 million specifically allocated to tribes, tribal organizations, urban Indian health organizations or health service providers to tribes.
 - \$300 million is for global disease detection and emergency response.
- \$3.1 billion to the Office of the Secretary of Health & Human Services to prevent, prepare for, and respond to coronavirus (development of necessary countermeasures/vaccines, platform-based technologies with U.S.-based manufacturing capabilities, purchase of vaccines, therapeutics, diagnostics, necessary medical supplies, medical surge capacity, and related administrative activities.
 - **Of this amount, \$100 million must go to the “Health Resources and Services Administration—Primary Health Care” for grants under the Health Centers Program to prevent, prepare for, and respond to coronavirus.**



<https://blogs.claconnect.com/healthcareinnovation/covid-19-funding-updates/>

- \$836 million to the National Institutes of Health
- \$61 million to the Food & Drug Administration
- \$20 million to the Small Business Administration

COVID-19 Package #2, Families First Coronavirus Response Act (Public Law 116-127)

- \$1 billion for COVID-19 related items and services for COVID-19 for uninsured individuals
- E-FMLA and emergency sick leave provisions and payroll tax credits
- \$1 billion in 2020 for unemployment compensation
- \$250 million for nutrition assistance
 - \$160 million for home-delivered nutritional services
 - \$80 million for congregate nutritional services
 - \$10 million for Native American nutritional services
- \$500 million to Special Supplemental Nutrition Program for Women Infants and Children (WIC)
- \$400 million to the Emergency Food Assistance Program (TEFAP) to assist local food banks



<https://blogs.claconnect.com/healthcareinnovation/second-covid-19-package-enacted-third-in-process-regulatory-activity-continues/>

COVID-19 Package #3: Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- Massive economic support act for business and individuals
- LOTS of various policies to assist business, individuals, states, municipalities, and health care providers totaling an estimated \$2 Trillion or more
 - Of this amount, \$1.3 billion supplemental assistance to Community Health Centers
- Enacted into law on March 27, 2020

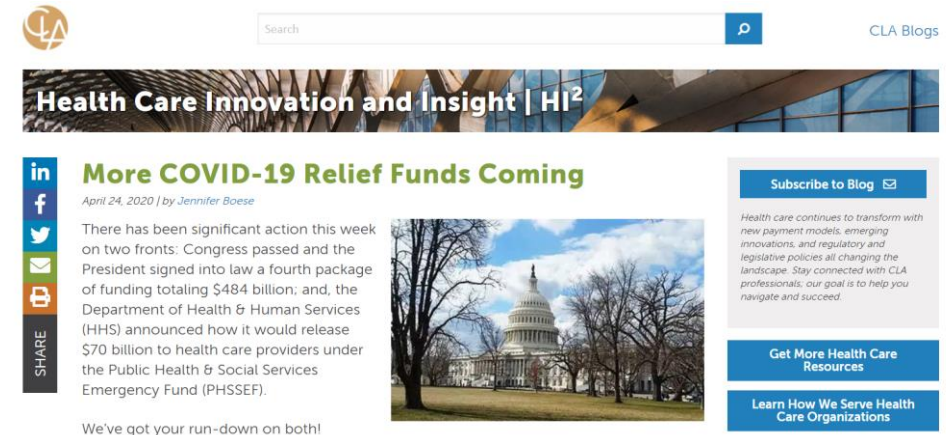


<https://www.claconnect.com/resources/articles/2020/senate-cares-act-includes-an-estimated-2-trillion-or-more-in-stimulus>

COVID Package #3.5 (OR #4)?

Call it what you want as packages and day to day are all starting to be like the one before!!!

- Enacted one week ago
- Total of \$484 Billion
 - \$310B for Paycheck Protection Program
 - \$250 billion unrestricted
 - \$60 billion set aside for smaller institutions
 - \$50 billion for EIDL loans + \$10 billion for EIDL Advance grants = \$60B for EIDL
 - \$75 billion for health care (same language as PHSSEF from CARES)
 - \$25 billion for testing (roughly half will go to states with rest divvied up to other agencies/others)



<https://blogs.claconnect.com/healthcareinnovation/more-covid-19-relief-funds-coming/?>



COVID-19 and CARES Act Funding for Community Health Centers

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H8C – COVID-19 Supplemental Funding for Health Centers

- Performance Period
 - 12 months retroactive to expenses dating back to January 20, 2020
 - ◇ Grant period ends March 14, 2021
 - ◇ HRSA authorizes the recipient to incur pre-award costs prior to the effective date of a Federal award dating back to January 20, 2020
- Allowable Uses
 - Expenses, including personnel, for activities associated with COVID-19 prevention, preparedness & response.
 - Cannot use to pay providers or staff not working on COVID-19 activities
- Reporting:
 - Budgets were due April 23rd
 - HRSA to notify when progress reports due



H8D – CARES Act Supplemental Funding

- Performance Period
 - 12 months retroactive to expenses dating back to January 20, 2020
 - ◇ Grant period ends March 31, 2021
 - ◇ HRSA authorizes the award recipient to incur pre-award costs before the effective date of a federal award dating back to January 20, 2020
- Allowable Uses
 - Substantial flexibility to “support the detection and/or prevention, diagnosis, and treatment of COVID-19 , including maintaining or increasing health center capacity and staffing levels.
 - Up to \$500,000 may be utilized for minor alteration/renovation projects
 - ◇ Individual projects must occur at in-scope sites and cost less than \$500,0000
- Reporting
 - Budgets are due **May 8th at Midnight EST**
 - Will require quarterly progress reports



H8D – CARES Act Supplemental Funding



- Budgeting considerations

Object Class Category with Example Line Items	Federal Requested CARES funding to support line item
Unemployment Insurance @ X%	
Workers Compensation @ X%	
Disability @ X%	
TOTAL FRINGE BENEFITS	
TRAVEL <i>Detail travel costs consistent with your organization's established travel policy and in compliance with 45 CFR §75.474</i>	
Local travel for medical assistant to provide screening and testing services at X in-scope sites (include subtotals for mileage rate, number of miles, reason, number of staff traveling)	
TOTAL TRAVEL	
EQUIPMENT	
Clinical and non-clinical equipment – see equipment list	
TOTAL EQUIPMENT	
MINOR ALTERATION/RENOVATION (CONSTRUCTION LINE-ITEM ON SF-424A)	
Reconfigure space to maximize isolation precautions and facilitate the use of telehealth See minor A/R budget narrative for details	
TOTAL MINOR A/R	
SUPPLIES	
Infection control supplies (X @ XXX)	
Personal protective equipment (X @ \$XXX)	
Staff laptops to support telehealth (X @ \$XXX)	

Additional Guidance

The following FAQs -- copied verbatim from the BPHC FAQ page – address specific uses of these funds:

- Can health centers use Health Center Program federal award funds (H80, H8C, H8D) to pay health center staff who are not currently working as a result of the COVID-19 public health emergency?
 - Health centers may use grant funds (H80, H8C and H8D) to continue to pay staff as a means of **maintaining capacity** during the COVID-19 public health emergency and to help **ensure readiness** to address the full range of comprehensive primary health care needs, including pent up demand, as the emergency abates. This includes the use of funds for obligations incurred during the course of the emergency, since January 20, 2020, either for current payment or reimbursement of incurred costs, including staff salaries.
- Can COVID-19 funding be used for hazard pay or a “pandemic premium”?
 - Health Center Program (H80), COVID-19 (H8C), and CARES (H8D) funds may be used for hazard and premium **pay if you have policies and procedures in place** that cover this type of pay. Personnel who will be paid with grant funding must receive salary and benefits consistent with your health center's policies for paying salaries under unexpected or extraordinary circumstances from all funding sources, federal and non-federal.
 - If you do not have such policies in place, **you should immediately develop and officially adopt them**. This is allowed through the OMB flexibilities listed in memoranda [M-20-11](#) and [M-20-17](#). You must document that you are following your organizational policy for charging salaries during unexpected and extraordinary circumstances. You should also document that you are following HRSA guidance as adopted and permitted by the OMB memoranda.





Other Funding Options

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Additional Funding Sources

Provider Relief Fund

Accelerated
Medicare Payments

Deferral of
Employer Social
Security

FEMA Public
Assistance Grants


FCC Telehealth
Grants

State and Local
Grants

CARES Act: Provider Relief Fund (\$100 billion)

Formally called the Public Health & Social Services Emergency Fund Reimbursement specific for health care providers

- Be aware of terms and conditions
 - the Payment will **only be used to prevent, prepare for, and respond to coronavirus**, and that the Payment shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
 - **“funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse”**
- Recipients must submit required reports and documentation as determined by HHS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Acceptance of Terms and Conditions

If you receive a payment from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief (“Relief Fund”) under Division B of Public Law 116-127 and retain that payment for at least 30 days without contacting HHS regarding remittance of those funds, you are deemed to have accepted the following Terms and Conditions. Please also indicate your acceptance below. This is not an exhaustive list and you must comply with any other relevant statutes and regulations, as applicable.

Your commitment to full compliance with all Terms and Conditions is material to the Secretary’s decision to disburse these funds to you. Non-compliance with any Term or Condition is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

These Terms and Conditions apply directly to the recipient of payment from the Relief Fund. In general, the requirements that apply to the recipient, also apply to subrecipients and contractors under grants, unless an exception is specified.

Relief Fund Payment Terms and Conditions

- The Payment means the funds received from the Public Health and Social Services Emergency Fund (“Relief Fund”). The Recipient means the healthcare provider, whether an individual or an entity, receiving the Payment.
- The Recipient certifies that it billed Medicare in 2019; provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; is not currently terminated from participation in Medicare; is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs; and does not currently have Medicare billing privileges revoked.
- The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- The Recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- The Recipient shall submit reports as the Secretary determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients.
- Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than \$150,000 total in funds under the Coronavirus Aid, Relief, and

CARES Act: Provider Relief Fund (\$100 billion)

Funds as released by HHS: \$30 billion released on April 10

- Who received this first batch of dollars?
 - If you received Medicare Part A or B fee-for-service (FFS) reimbursements in 2019 then you were eligible for this first bucket of funding
 - Funding was distributed based on a provider's share of total Medicare FFS reimbursements in 2019. Taking out items like copays, CMS put total FFS payments at approximately \$484 billion in 2019

Your 2019 FFS total/\$484 billion x \$30 B = initial payment

- If you received these dollars, there are several key things to keep in mind with the funds:
 - Providers must agree not to seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. In other words, no balance billing.
 - Within 30 days of receiving the payment, **providers must sign an attestation confirming receipt of the funds and agreeing to the terms and conditions of payment.** The attestation portal is now open



CARES Act: Provider Relief Fund (\$100 billion)

Funds currently being released by HHS:

- **General Distribution (ie: next \$20 Billion)**

- HHS started the distribution of the remaining \$20 billion of the general distribution to providers (who received the first \$30 billion in funds) beginning April 24 to augment their allocation.
 - ◊ All total these providers will have received a total of \$50 billion in this general distribution bucket
- This will be distributed based on the difference between 2018 net patient revenues and Medicare A & B number from 4/10/20 multiplied by \$20B
- Beginning April 24, some providers will receive an advance payment based off the revenue data in cost reports. Providers without adequate cost report data on file will need to submit their revenue information to the HHS portal. These payments will go out weekly, on a rolling basis (as information is validated)
- Terms/conditions and attestation required



CARES Act: Medicare Accelerated Payments

- Available immediately. Payments made within seven calendar days
- The payments can be requested by hospitals, doctors, durable medical equipment suppliers and other Medicare Part A and Part B providers and suppliers
- Repayments due as follows:
 - Inpatient acute care hospitals, children's hospitals, certain cancer hospitals, Critical Access Hospitals (CAH) – 1 year
 - All other Part A providers and Part B suppliers - 210 days
 - Interest is due on repayment amounts (10.25%)
- **As of April 26th CMS has suspended its Advanced Payment Program**

How Does Repayment/Interest Work: The offset/repayment begins at 120 days. Recoupment of the remainder would be due at 210 days (or 1 year if hospital) PLUS a 30 day grace period. Interest begins only at recoupment (so 210 + 30 days).



Deferral of Employer's share of social security taxes

- Goal – allow employers to defer deposit and payment of employer portion of social security tax (6.2%)
- What is it – 50% deferral until 12/31/21 and 50% until 12/31/22
- Eligibility – all employers, except PPP loan recipients may not defer after the forgiveness date for the PPP loan
- Process – Quarterly Form 941 to be revised for Q2 2020. Information to be provided about deferrals for Q1 2020.
- Additional information – <https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020>





CARES Act – Paycheck Protection Program

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PPP vs. EIDL: Key Features

PPP

- Apply through banks
- Allowable use primarily focused on payroll
- Loan unsecured, 100% guaranteed by SBA
- Loan forgivable if certain criteria are met
- Known calculation for proceeds

EIDL

- Apply online through SBA
- Focused on 'keeping business in business'
- Potential personal Guarantee > \$200k
- Up to \$10,000 grant forgiven
- SBA sizes loan based on economic loss and repayment ability



CARES Act: Paycheck Protection Program

\$349 billion initially, followed by an additional \$310 billion

- Modeled after Small Business Administration's 7(a) loans
- Main purpose is to incentivize employers to retain employees while also assisting to cover operating costs

Who Qualifies?

- Businesses, sole proprietors, independent contractors, self-employed individuals, 501(c)(3) nonprofits, 501(c)(19) veterans organizations, and 31(b)(2)(C) Tribal business concerns may all be eligible.
- General eligibility is based on the following:
 1. NAICS industry based revenue or employee based size standards; **OR**
 2. 500-employee size standard regardless of the NAICS industry; **OR**
 3. Alternative size standard (uncertainty as to applicability to nonprofits)



CARES Act - PPP Loan Features

- Loans up to the lesser of \$10 million or 2.5 times average monthly payroll, uses a 12-month period prior to the loan date
- Exclusions apply for annual salaries exceeding \$100,000
- Interest rate - 1%
- 6 month deferral period
- 2 year maturity
- Loan is forgivable if at least 75% of funds are spent on payroll within 8 weeks of disbursement and employee levels are maintained at pre-COVID-19 levels



CARES Act – PPP Loan allowable expenses

- Funds may be spent on:
 - Payroll expenses
 - ◇ Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
 - ◇ Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit;
 - ◇ State and local taxes assessed on compensation
 - Mortgage interest, rent and utilities
 - ◇ Interest on mortgage obligations, incurred before February 15, 2020;
 - ◇ Rent, under lease agreements in force before February 15, 2020; and
 - ◇ Utilities, for which service began before February 15, 2020.



CARES Act – PPP Loan *Forgiveness*

- Forgiven amounts are equal to the amount spent during an 8-week period after the origination of the loan
- Forgiveness amount reduced proportionately by comparing FTEs during Feb 15 – June 30, 2020 to a pre COVID-19 period
- If employees are released or furloughed, they must be rehired by June 30, 2020 (treated as if termination never occurred)
- Loan forgiveness not subject to income tax or credit reporting (i.e. debt forgiveness or non payment)
- Unforgiven portion will be a term loan - 2 years at 1% interest with deferral of 6 months.



CARES Act – Four Items to Consider for Forgiveness

#1. Did the entity spend enough on allowable costs?

#2. Did the entity maintain FTEs? (includes re-hires thru 6/30)

#3. Did the entity maintain wages at least 75% of prior quarter? (excludes high earners)

#4. Was enough of that spending on payroll? (25% limit on non-payroll)

- Total Allowable Costs during the 8 week period following the loan
- At least 75% to be payroll costs, limit of 25% on non-payroll costs
- Retention test - FTEs during 8 weeks compared to FTEs in one of two pre-COVID periods
- Wage test - pay cannot be decreased by > 25%
 - Only applies to employees with less than \$100k in wages



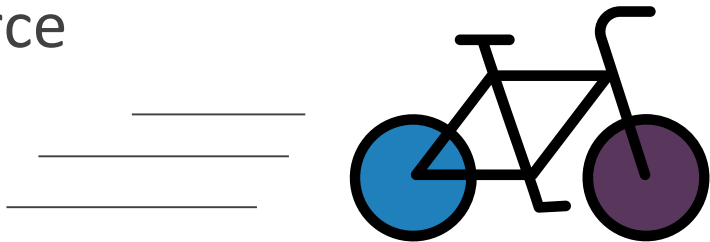
Considerations

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Recordkeeping for Relief Efforts

- Tracking of the expenditures related to these programs is extremely important
 - Plan your approach ahead of time – utilize your budget!
- Maintain each funding stream separately
 - Option 1: create a separate bank account and use it only for receipts and payments related to the various relief measures
 - Option 2: set up specific accounts to which only qualified expenses are charged and/or use a specified account segment/project code
 - Option 3: Set up a covid-19 department in the general ledger
- CHCs should always be able to produce a separate income statement by funding source



Accounting Treatment for Relief Efforts

ADVANCED MEDICARE PAYMENTS

- Recorded as a current liability
- Record cash (asset)/deferred revenue (liability)
- As claims are reduced, decrease Deferred Revenue and reduce AR



DEFERRAL OF SOCIAL SECURITY TAX

- Record expense and accrued SS tax as usual
- Upon payments of 50% at 12.31.21 and 12.31.22, reduce Accrued SS Tax and reduce Cash



- Record as net assets with donor restrictions until expenditures have been made satisfying the restricted purpose
- As funds are expended, they can be released from restrictions



PHSSEF

- Book as a liability until bank formally issues its decision on how much will be forgiven
- Once the amount of forgiveness is known, the principal amount forgiven should be recognized as a contribution above the performance indicator.
- Be aware of covenant calculation implications!



PPP



Strategies

- Revise HRSA H80 budgets as needed in order to maximize use of all funding
 - Prior approval from HRSA is required for revisions that:
 - ◇ Exceed the lesser of \$250,000 or 25% of the total grant funds
 - ◇ Move funding to a budget category without prior HRSA budgeted expenditures
- Prior approval of H8C and H8D budgets required when revision exceeds:
 - ◇ 25% or
 - ◇ moves funding to a budget category without prior HRSA budgeted expenditures



Strategies (continued)

- If grant budget covers only salaries and benefits, temporarily suspend HRSA draws during the PPP 8-week period for a clean and simple approach
- Identification of “new” expenses incurred in response to COVID
- HRSA funding:
 - Maximize look back option (to 1/20/20) for expenses incurred



Questions and Answers

Enter your questions in the chat box



Key Links To Resources

- CLAconnect COVID-19 page
 - <https://www.claconnect.com/topics/coronavirus#Resources>
- CLAconnect PPP resource
 - <https://www.claconnect.com/resources/articles/2020/tips-for-tracking-information-to-help-maximize-ppp-loan-forgiveness>
- CMS Coronavirus Emergency page
 - <https://www.cms.gov/About-CMS/Agency-Information/Emergency/EPRO/Current-Emergencies/Current-Emergencies-page>
- National Association of Community Health Centers
 - www.nachc.org/coronavirus/
- HRSA Health Center Program COVID page
 - <https://bphc.hrsa.gov/emergency-response>
- HRSA COVID-19 grants management FAQs
 - <https://www.hrsa.gov/grants/manage-your-grant/COVID-19-frequently-asked-questions>
- HHS Provider Relief page
 - <https://www.hhs.gov/provider-relief/index.html>



THANK YOU!

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