



Navigating Coronavirus Series

Tonight: CARES Act and Physician Practice Support

This series brought to you by



Information, not legal advice

Agency interpretations, guidance, and the regulations are evolving constantly. We have tried to include the latest information in this presentation, but some details could have changed while we were preparing it or could change later.

We strongly suggest you review agency materials carefully and talk to your practice CPA and/or attorney prior to applying for aid under these new federal options.

Today's Presenters

- **L. Allen Dobson, Jr., MD**
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President, Community Care of North Carolina
- **Shawn Parker, Esq.**
Attorney, Smith Anderson

Shawn Parker is a member of the Smith Anderson's Health Care team within the Regulatory group, where he advises clients on health care policy, legislative advocacy, executive strategy, and regulatory guidance concerning business planning of organized medicine.

Time is of the essence, proceed with purpose

Practical guidance and business considerations for health care providers regarding recently enacted federal economic stimulus programs

1. Public Health and Social Services Emergency Fund
2. Paycheck Protection Program
3. Economic Injury Disaster Loans

Timeline- March Madness

- **March 3, 2020** - Federal Reserve cuts interest rates to 0%
- **March 6, 2020** - Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123)
- **March 10, 2020** - present Governor Cooper issued Executive Order No. 116 –State of Emergency (Article 1A of Chapter 166A NC General Statutes)
- **March 13, 2020** - President Trump emergency declaration (Stafford Disaster Relief and Emergency Assistance Act)
- **March 18, 2020** - Families First Coronavirus Response Act (P.L. 116-127)
- **March 27, 2020** - Coronavirus Aid, Relief, and Economic Security Act (P.L. 116- 137)

Public Health and Social Services Emergency Fund

- Appropriates an additional \$100 billion to the “Public Health and Social Services Emergency Fund” to reimburse “eligible health care providers” for COVID-19 related **health care expenses or lost revenues**.
 - Public entities, Medicare or Medicaid providers (others) that provide diagnoses, testing, or care for patients with possible or actual cases of COVID-19
- Attributable to COVID-19
 - Medical supplies and equipment (person protective equipment)
 - Increased workforce and trainings
 - Retrofitting facilities, building temporary structures

Can only be used for non-reimbursable expenses

Public Health and Social Services Emergency Fund

Applications, Reports and Payments

- Process for the submission and review yet to be issued (rolling basis).
- At a minimum, applicant must include:
 - A statement “justifying the need of the provider for the payment”
 - A valid tax identification number
- Secretary has broad discretion to determine both the amounts of reimbursement payments and how they are made: “most efficient payments practicable to provide emergency payment,” which may include:
 - Pre-payments, prospective payments, or retrospective payments.

Paycheck Protection Program

- \$349 BILLION available for eligible small businesses
 - Funds to pay up to 8 weeks of payroll costs
 - Loans may be forgiven, tax free
- Banks and Credit Unions will administer (same terms)
 - Application is through the lender
- Opened April 3rd end June 30th or when funding runs out
 - First come first served
 - Limited to 1 program loan
 - No double dipping, limits some use of certain tax credits/deferrals

Paycheck Protection Program - General

- Eligible- All businesses* with 500 or fewer employees, in operation on February 15, 2020
- Loan Amounts: Lesser of \$10M or up to two months of your average monthly payroll costs from the last year plus an additional 25% of that amount. That amount is subject to a \$10 million cap
- Forgivable if:
 - Used to cover payroll cost*, mortgage interest, rent, utilities over the 8-week period
 - Employee and compensation levels are maintained

Paycheck Protection Program - Payroll costs

Payroll costs include:

- 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; and
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

Paycheck Protection Program - Maximum Loan Amounts

Practice A – No employees make more than \$100,000

- Annual payroll: \$120,000, average monthly payroll: \$10,000, multiply by 2.5 = \$25,000
- Maximum loan amount is \$25,000

Practice B – Some employees make more than \$100,000

- Annual payroll: \$1,500,000, subtract compensation amounts in excess of an annual salary of \$100,000: \$1,200,000, Average monthly qualifying payroll: \$100,000, multiply by 2.5 = \$250,000
- Maximum loan amount is \$250,000

Paycheck Protection Program - How to Apply

- Information needed *in digital form for upload*
 - Application (filled out online with digital attestations/signatures)
 - Articles of Incorporation
 - Bylaws/Operating Agreement (including ownership information)
 - Drivers licenses
 - Payroll expense verification (IRS form 940, 941, Payroll summary, benefits summary, etc.)
 - Certification that all employees are U.S. Citizens
 - 2019 Profit and Loss statement
 - Tax Returns – 2018 may be acceptable if 2019 not yet filed

Paycheck Protection Program - How to Apply

- Submit **SBA Form 2483** to lender
- Bring documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or other supporting documentation, such as bank records to demonstrate qualifying payroll amount
- No collateral required
- No personal guarantee
- Credit elsewhere waived
- Electronic signature: e-consents accepted

Paycheck Protection Program - How to Apply

Demonstrate you are an impacted borrower

- Good faith certification...loan is necessary to support on going obligations
- Acknowledge funds will be used to retain works and maintain payroll
- Certify no duplication

Suggested documentation

- IRS Form 941 (January 2019 - March 31, 2020)
- Payroll Report Summary for 12-month period (ending on most recent)
- Documentation on employee benefits
 - Total health insurance premiums paid by company
 - All retirement plan funding paid by company
- 2019 profit and loss statement or tax returns

Paycheck Protection Program - Application Form



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

| | | | |
|--|--|---|-----------------------|
| Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other | | DBA or Tradename if Applicable | |
| Business Legal Name | | | |
| Business Address | | | |
| | | Business TIN (EIN, SSN) | Business Phone |
| | | | () - |
| | | Primary Contact | Email Address |
| | | | |

| | | | | | | | |
|--|----|--|--|----|--|----------------------|--|
| Average Monthly Payroll: | \$ | | x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request: | \$ | | Number of Employees: | |
| Purpose of the loan (select more than one): <input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____ | | | | | | | |

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

| Owner Name | Title | Ownership % | TIN (EIN, SSN) | Address |
|------------|-------|-------------|----------------|---------|
| | | | | |
| | | | | |

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Paycheck Protection Program – Loan Calculator

Paycheck Protection Program & Loan/Forgiveness Calculator (Updated)

Calculator instructions: Cells outlined in RED are user-entered fields

| Summary | | |
|---|-------------------|--|
| Total estimated loan amount calculated: | \$114,166.67 | <p>This is a summary of the information below, which includes the estimated loan amount the client will qualify for, the estimated amount of the loan that will be forgiven, and the amount during the eight-week period that the client will have to pay (using the loan). Loan forgiveness is not taxable. It is also not an expense in the client's books. The difference between the loan forgiveness and the actual expenses will be an overall expense in the books.</p> |
| Total estimated loan forgiveness: | \$137,300.00 | |
| Total of all qualified expenses paid during eight-week period: | \$141,500.00 | |
| Total expense in client's books: | \$4,200.00 | |
| Percentage of forgiveness expenses from payroll costs: | 84.71% | |
| <p><i>*Note: If percentage is less than 75%, SBA may not allow any loan forgiveness</i></p> | | |

Estimated Loan Amount

| | | |
|---|---------------------|---|
| Gross wages paid: | \$652,000.00 | <p>Amounts entered should be the 12 months prior to the loan. If business was not open in 2019, amounts entered are the total payroll cost for January and February 2020. Seasonal employers take the average from February 15, 2019 or March 1, 2019 (decision based on loan recipient) to June 30, 2019. Amounts paid to independent contractors (that would otherwise be considered employees) are entered as "other wages."</p> <p>Do not include payroll taxes or income taxes in the calculation. If an employee is taking FFCRA leave or sick pay, no payments for those employees should be included.</p> |
| Officer salaries paid: | | |
| Other wages: | \$35,000.00 | |
| Employer paid benefits (e.g., healthcare benefits, retirement match, etc.): | | |
| State/local tax assessed on compensation of the employee: | \$0.00 | |
| Subtotal of payroll eligible before subtractions: | \$687,000.00 | |

| Subtractions | | 114.5 |
|--|--------------|---|
| Excess wages for employees \$100k or more: | \$120,000.00 | <p>You must subtract any excess employees wages from the above calculation if their prorated compensation from February 15, 2020 to June 30, 2020 is \$100k or more. Excess is defined as anything over \$100k. Default is 12 when using 2019 as the calculation. If using January and February 2020, enter 2. If seasonal, enter 4 for starting on March 1, 2019.; 4.5 if using a date starting on</p> |
| Payroll taxes (only if included in above calculation): | \$19,000.00 | |
| FFCRA wages paid or non-resident alien wages paid: | \$0.00 | |

Paycheck Protection Program-Loan Forgiveness

- Borrower applies for forgiveness with the lender
- Lender makes decision on loan forgiveness in 60 days
- Amounts not forgiven due in two years at 1% interest
- Payments are deferred for six months, but interest accrues upon disbursement

Practice C – Received \$90,000 loan and utilizes and can document, over the 8- week period since funding, \$75000 for payroll costs, \$7500 for rent, \$1500 for utilities. The remaining balance of \$8,000 would be termed out at the fixed rate.

Economic Injury Disaster Loan- SBA

- Program is not new, CARES Act classified COVID-19 as a “disaster”
 - Created a \$10K advance- Must be paid in 3 days
 - Not required to repay advance, even if loan is subsequently denied
- Loan amounts up to \$2M and amortization period of up to 30 years- determined on case-by case basis
- Funds can be used for working capital, payment of fixed obligations, payroll, and other ordinary operating expenses that can't be paid because of COVID-19's impact.
- Covered period January 1, 2020 through December 31, 2020

Economic Injury Disaster Loan-

- Purpose is to assist business that experience an economic hardship as the result of a declared disaster. Unlike other disaster loan programs, they do not require physical damage to a business. *Not intended to replace lost sales or revenues.*



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Disaster Loan Assistance

Federal Disaster Loans for Businesses, Private Non-profits, Homeowners and Renters

COVID-19 ECONOMIC INJURY DISASTER LOAN APPLICATION

DISCLOSURES **BUSINESS INFORMATION** **BUSINESS OWNERS INFORMATION** **ADDITIONAL INFORMATION** **SUMMARY**

STREAMLINED PROCESS REQUIREMENTS

SBA is collecting the requested information in order to make a loan under SBA's Economic Injury Disaster Loan Program to the qualified entities listed in this application that are impacted by the Coronavirus (COVID-19). The information will be used in determining whether the applicant is eligible for an economic injury loan. If you do not submit all the information requested, your loan cannot be fully processed.

The Applicant understands that the SBA is relying upon the self-certifications contained in this application to verify that the Applicant is an eligible entity to receive the advance, and that the Applicant is providing this self-certification under penalty of perjury pursuant to 28 U.S.C. 1746 for verification purposes.

The estimated time for completing this entire application is two hours and ten minutes, although you may not need to complete all parts. You are not required to respond to this collection of information unless it displays a currently valid OMB approval number.

ELIGIBLE ENTITY VERIFICATION

Economic Injury Disaster Loan

- Apply directly with SBA (online- <https://covid19relief.sba.gov/#/>)
 - Small Business = <500 employees; \$12M or less in annual revenues
 - Must have been in business on 1/31/2020
 - Funding based on gross profit test
- Modified and streamlined application
- No cost to apply
- No obligation to take funds if approved
- Estimate between 8 and 21 days to process
- Disbursement of loan proceeds is estimated to take an additional five days after approval
- You can apply for both but cant “double dip” on what money is used for

Comparison



Paycheck Protection Program

- Up to \$10M
- Loans made through private lenders
- Forgivable
- No collateral, person guarantee
- Two years to repay portions not forgiven at 1%
- Payment deferred 6 months



Disaster Loan Assistance

Economic Injury Disaster Loans

- Up to \$2M
- Loans applied directly with SBA
- No loan forgiveness
 - \$10K advance
- Business assets as collateral, no personal guarantee
- 30-year term-3.75% (2.75%)
- Payment deferred 1 year

Closing Remarks and Key Takeaways

Dr. Dobson's recommendations to consider:

- 1) Contact your local bank and ask if they are an SBA lender. If so, start the PPP application process with them ASAP. It is a first come first serve process.
- 2) Ask your CPA for assistance, if needed
- 3) Consider applying for an SBA disaster loan also and request the advance.

Bottom line: you can get \$10k advance (forgivable) and payroll support for 2 months plus another 25% to pay rent and utilities all forgivable if you maintain your employees.

Questions?

