Navigating Coronavirus Series
Tonight: CARES Act and Physician Practice Support
This series brought to you by

NORTH CAROLINA AHEC

COMMUNITY CARE PHYSICIAN NETWORK

NCAFP

NORTH CAROLINA Psychiatric Association

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Community Care of North Carolina
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**  
  CEO, Community Care of North Carolina

- **Tom Wroth, MD**  
  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

**Check One:**
- Sole proprietor
- Partnership
- C-Corp
- S-Corp
- LLC
- Independent contractor
- Eligible self-employed individual
- 501(c)(3) nonprofit
- 501(c)(19) veterans organization
- Tribal business (sec. 31(b)(2)(C) of Small Business Act)
- 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):**
- Payroll
- Lease / Mortgage Interest
- Utilities
- Other (explain): ____________________________

**Applicant Ownership**

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

<table>
<thead>
<tr>
<th>Owner Name</th>
<th>Title</th>
<th>Ownership %</th>
<th>TIN (EIN, SSN)</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated loan amount calculated</td>
<td>$114,166.67</td>
</tr>
<tr>
<td>Total estimated loan forgiveness</td>
<td>$137,300.00</td>
</tr>
<tr>
<td>Total of all qualified expenses paid during eight-week period</td>
<td>$141,500.00</td>
</tr>
<tr>
<td>Total expense in client’s books</td>
<td>$4,200.00</td>
</tr>
</tbody>
</table>

- **Percentage of forgiveness expenses from payroll costs:** 84.71%

*Note: If percentage is less than 75%, SBA may not allow any loan forgiveness*

#### Estimated Loan Amount

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross wages paid</td>
<td>$652,000.00</td>
</tr>
<tr>
<td>Officer salaries paid</td>
<td></td>
</tr>
<tr>
<td>Other wages</td>
<td>$35,000.00</td>
</tr>
<tr>
<td>Employer paid benefits (e.g., healthcare benefits, retirement match, etc.)</td>
<td></td>
</tr>
<tr>
<td>State/local tax assessed on compensation of the employee</td>
<td>$0.00</td>
</tr>
<tr>
<td>Subtotal of payroll eligible before subtractions</td>
<td>$687,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subtractions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess wages for employees $100k or more</td>
<td>$120,000.00</td>
</tr>
<tr>
<td>Payroll taxes (only if included in above calculation)</td>
<td>$19,000.00</td>
</tr>
<tr>
<td>FFCRA wages paid or non-resident alien wages paid</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

*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 (whichever comes first), to June 30, 2019. Amounts paid to independent contractors (that would otherwise be considered employees) are entered as "other wages." 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.*

*You must subtract any excess employee 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*
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 businesses 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.*
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

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?