Navigating COVID-19- PPP Flexibility Act

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Presenters:
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Hugh Tilson:
It is 6 o'clock, let's go ahead and get started, everybody. Thank you very much for joining us for this week's chapter of the Navigating COVID-19 series. You might recall that we decided to hold these monthly, we changed our approach given the late breaking news on the Paycheck Protection Program flexibility act. Thanks for joining us on such short notice. If you recall, this series is cosponsored by CCNC, North Carolina Pediatric Society, North Carolina Psychiatric Association and North Carolina Academy of Family Physicians and North Carolina AHEC. This is our ninth in the series designed to respond to the needs that you have identified. Computer is going crazy. As always, let me start by recognizing Tom, Elizabeth, Robin and Greg for their leadership in identifying these needs and great partnership in putting on these webinars to respond to those needs. Let me also thank everyone for the work that you are doing for your patients, your staff, and your communities every day. We hope the information you get tonight will help you as you navigate these trying times. Next slide.

My name is Hugh Tilson and I will be navigating tonight. I am going to turn it over to Allen and Sean for their remarks. Afterwards, we will turn to questions. You can submit your questions using two ways. Number one is using the Q&A feature at the black bar at bottom of the webinar and the other is by email. That is questionsCOVID19webinar@Gmail.com. If you are calling in instead of participating in the webinar it is the only way you can submit questions. We will record this and make this live, the recording, as well as the transcript available on the CCNC AHEC website either later tonight or first thing tomorrow morning. To me turn it over to Allen. Thank you.

Allen Dobson:
Thank you and welcome back, everyone. Sorry for the short notice. I think there is some fairly significant financial things occurring with the late breaking passage of another bill related to the CARES Act last week. We needed to get that information out late this afternoon the department announced some additional funding related to Medicaid and the Chips program that we are still trying to sort through, but we want you to know about that. I'm going to turn this over shortly to Shawn Parker with Smith Anderson, who has been my sidekick on some of these before. I know Tom Wroth is listed here. I am not sure if he will be able to make it tonight. He has some of the meetings were before the call. Hopefully he will join us for comments. What we really wanted to get to you was the fact that the payroll protection programs still has money. That is really significant. Unlike last time where everyone was jumping in and the

lenders could not get everyone processed, you know, that has cleared out. There is a clear path for those who want to get assistance. The more significant thing that Shawn is going to go over is Congress passed additional rules and flexibility that makes it even more attractive than it was before. That as far as forgiveness and free money to help support you during this pretty rough period for providers in the community. I think you should listen very carefully. Even those who already have the money, there are some changes that will affect how you do things in the coming weeks to adjust your approach. That if you thought you have to get everything spent in the first eight weeks. We're going to walk through the program changes, and they will hit a little bit about recent announcements and what we know so far. We will find an alternative way to give you the program rules once they are out. I am going to turn it over to Shawn and I will weigh in as he walks through the various slides.

Shawn Parker:
Good evening and thank you for attending tonight. I appreciate the sponsors putting this together in short notice. We are committed to being efficient with your time. I don't think we will need the entire hour. The two actions that have taken place are worth discussing and getting to your attention. Here is a timeline. Why this is important is you can see throughout the initial act where it was created and then there was a rule promulgated to implement the act. We had a second act, which was refunded after the first bunch was gobbled up right away. They are putting new money and they have made some adjustments to the program. Since that time, they may additional interim rules on giving clarification on what is applicable and what can be forgiven. Even with that forgiveness and interim guidance, the Congress decided they still needed more adjustments to make this program attractive. There are many economists that point to this program as one of the things leading up to recession. They do want people to utilize the program. Of all the things of the Paycheck Protection Program Flexibility Act did do, one thing it did not is change the application deadline. That is steadfast at June 30th. Our next meeting to discuss it is just around the window. That is probably a good reason to speak tonight. Next slide.

A quick summary, as Dr. Dobson indicated there is approximately $100 billion remaining in the program. You of heard that a number of organizations decided to turn the money back that was not necessary, or risk public scrutiny related to the money. There is almost $130 billion remaining to be distributed, about $511 billion was approved and what is interesting is $12.2 billion have come here to North Carolina. Out of the $4.5 million in loans about 113,000 of them originated here in the state. Another interesting fact is the average loan is about $130,000. Why that is important is where there was scrutiny on one of the key components when you certify for the loan is that you needed the money to continue your operations. That gave a lot of businesspeople pause on can I find another way to resume. What is the money wasn't available? Would I be at risk that someone later would say you did not need the money and you took it. The Department of treasury through the SBA created a good-faith level. If your loan is less than $2 million, they have determined they would not submitted to further scrutiny on whether or not you require the loan. If you are in a circumstance where you believe your loan amount, you can be at ease you needed that the money will be used appropriately if good enough. There is about 5500 lenders participating. Again, the last time we discussed and even earmarked some committee banks and other smaller lenders so that you have an opportunity, even if you don't normally bank with a large institution. Let's go to the next slide please.

As I indicated, the flexibility act made through the intent to make it more flexible on the use of these funds. It made a number of changes predominately to the length of time that you can be in the program and some other exceptions were made. What is the same is June 30, 2020, that did not budge. There is no intention on extending the deadline for there is money left or not. So, you have to apply by then.

Also, the allowable use of the loan proceeds, it is still the payroll costs and eligible non-payroll cost. We will speak a little bit about the percent of those as we move forward. If you have already received your loan, you do not have to use these flexible terms. You can accept the eight-week covered period, the terms and conditions of when you applied and received the loan. Those other things that are the same. What's different? Next slide.

What is different, the most important adjustment was to the forgiveness period or the covered period. A lot of people realized that to extend the payroll cost at 75% within eight weeks was difficult. It was difficult bringing people back for a number of reasons. What the Flexibility Act did was extend that period to 21 weeks for receipt. December 31 the earlier of, if your loan comes in after June 13th, it will be less than 24 weeks. The covered period will be a defined 24 weeks. What that does is it tends to give you sufficient time to qualify for forgiveness. The amount forgiven is still impacted by those other qualifications, such as a reduction to FTE or salaries paid to employees. 24 weeks should be more than enough time to meet 60% of the payroll cost of return. We can go to the next slide.

They also moved the restoration period out. Originally, at the end of your cover period if you still have a reduction in FTE or potential salary you could move to June 30th to bring that backup. Now you have until the end of the year, December 31st. By December 31st, if your FTE count and your salary reduction are the same or any salaries are the same as what they were in very you will satisfy those safe harbors. They also responded to where there were issues of FTE not being available or salary restoration not being there because of employers having trouble bringing back employees. In the interim, you had this good-faith forgiveness where if you in good faith made an offer to an employee at the same salary or hours and the employee said I am not coming back, that would not count against you. In addition to that forgiveness and the rule of the act it provided two new exceptions that will benefit you. First, if you cannot find someone similarly qualified. That makes a lot of sense for healthcare providers that utilize advanced practitioners and others likewise. If you cannot find those qualified people to deliver the services that will not count against you. In addition, if you are unable to return to the same level of business you had in February because you are trying to comply with CDC guidance such as the room in your waiting room only will allow you to have one receptionist instead of your normal two, the second receptionist, you don't bring back will not count against you either under the ability act. Go to the next slide please.

Here is an interesting component, many people argued it was very difficult to make that 75% towards payroll cost, although I was pushing that you really should try to push 100%. You had other ways to spend the money directly through payroll. What the legislation did was say at least 60% rather than the 75% should be used toward payroll costs. They did not change the definition. They also still allowed employee bonuses or hazard pay. You will find that maybe with that amount you will need to give employee bonuses or make additional hazard pay because you have a longer time to make that repayment. One of the issues is Wallace says at least 60% of forgivable expenses used toward payroll costs, the rule fits the definition. Technically the requirement of at least 75% shall be used for payroll satisfies the requirement, 75% is at least 60%. My belief is the real issue guidance. The intent is clear what they are trying to do. The other thing that this change caused is a scenario. And you can look to the senate commentary as this probably is unintended. But as written the act says if at least 60% of forgivable expenses is not used toward payroll costs, you will be subject to the entire 100% of the loan. The loan cannot be forgiven pro rata like it was before. I am not certain the SBA has the authority to make an interpretation to change that. At this point I would advise that you would need to spend at least 60% of the loan toward it. You will probably fit within the rule on guidance and will not have to worry about that scenario. If you’ll go to the next slide, please.

Another benefit to borrowers is the initial legislation said the loan can be for up to 10 years, but the SBA and Department of Treasury said two years seems sufficient in response to our time. The Flexibility Act said instead of it being the maximum of 10 years safe just a minimum of five years. So, for whatever might be on unforgiven or due as a loan, you will be paying 1% interest and you have a minimum of five years. A lot of promise or those will probably be modified at the time loan forgiveness. Another consideration here is the deferral of principal and interest, it was deferred payment for 6 months, but interest started immediately. Under the new act, both principal and interest can be deferred to the date that the loan forgiveness amount is determined. Therefore, you will not have any interest or oh any payment until the point where you know how much you would hold back is loan forgiveness. If it is 0% you'll walk away and you can prepay that amount without penalty and without subject and if you do not prepay and carried over the five years minimum period, you are only paying 1% interest. They did put a little caveat in there, if you did not apply for forgiveness within 10 months of the covered period expiring then interest with started at that date. If you’ll go to the nest slide, please.

One other benefit, if anyone calls in the CARES Act one of the good components for employers was you could defer your share of payroll taxes, half of it for this year to year the 2021. The remaining half to 2022. At the time those participating in the Paycheck Protection Program will not be eligible. This act allows the same right. You can choose. You do not have to choose either the referral or the PPP, you can be in PPP and still make the deferral of 50% this year and have the for the remaining 50% in 2022 on your share of payroll taxes. Again, what really is important, lots of presentations tell you what is in the act. We really want to be able to give you things to act upon or respond to. The most practical guidance that we can give is the intent here despite some of the language is they want you to have flexibility. They want you to be able to bring in the money and spend that money toward payroll related costs so that those funds are available to your employees. They want to give enough time so that you can use the money without having to make that last-minute bonus or payment of rent or otherwise, you still can use it. I am certain your employees will appreciate those bonuses, but you do not have to account for that. It also really benefits from looking at things that are not in your control. If you're following CDC guidance or things within DHHS, employees are not coming back, they are trying to account for those things. Like we have set almost all along, this is a really good business loan. It is nothing more than a business loan. One more slide. Thank you.

Again, some of the unintended or unanswered interpretations that we will be looking forward to, whether or not they can address the above if you fail to use 60% on payroll, what does that mean? Whether or not the SBA will respond and drop the payroll cost amount to 60%, the covered period of 8-26 weeks, where on in its surface for any regular business model is a good thing. If you are considering a business acquisition, merger, or major plan change in your business plan, this may cause them delay. There is not a division that says choose between eight weeks and up to 26 weeks, it is finite. We are looking at either eight weeks right now or 26 weeks if you're coming in to use that as your covered period, which is a defined term. The IRS and other agencies will have to modify rules that are inconsistent. We may not see how they modify them fully until the application deadline. That is, why we are speaking to you today. Before we move on to the HHS announcement about the provider relief granted, it is probably a good time for Dr. Dobson to weigh in with some good business wisdom here or see if there is any questions related directly to the Flexibility act.

Allen Dobson:
I think the big thing is that reducing the requirement of payroll to 60%. It gives you a lot more flexibility and the increase in the time period. If you haven't brought for feedback, you have plenty of time to do so and plenty of time to use the money for it to be totally forgiven. Again, interest rates only apply for the amounts that you do not get forgiven him alone. Of all the money that is being put out there, this is not insignificant. Based on how they calculate it. Back to the original, it is based on your payroll plus additional amounts for your rent or mortgage and all of your utilities, which are broadly defined. It is a way to cover a lot of fixed overhead and in this case spread that coverage over a larger period of time to get you through. I know that a few people who have gotten the money are concerned what happens if I end up with a bunch of volumes to come back and by the end of the year I am actually doing pretty well? Am I going to have a whole bunch of money left over? Will have to pay taxes-etc.? I would find that is a high-class problem and not a big one. In always consult your accounting and your advisors to help you through this. If you need help identifying vendors who will serve to

help you apply, we will be glad to address you as best we can. Of all the things that are available this is probably the better one.

Shawn Parker:
Agree, extending to December 31st, if you have had a reduction there is much more time to make that correction. You can even make that correction in December and have the benefit of the lower cost and then catch yourself up prior to that December 31 deadline.

Allen Dobson:
I was just looking at a few of the questions that popped up. If you already receive a loan, could you apply for more? I don't think so. I think if you received a loan that is the amount that you get. Do bonuses apply? Yes, there are some rules related to that.

Shawn Parker:
Right, they cannot take you over the $100,000 range. Also, I do not believe if you are a shareholder employee, like an owner and employee that a bonus to yourself will be applicable. For traditional employees they certainly can have a bonus provided. It is not taking them over, provided they are not over the $100,000 mark.

Allen Dobson:
As far as the current loan forgiveness detection application, I imagine that is going to be modified fairly significantly.

Shawn Parker:
Agreed.

Allen Dobson:
One comment was to avoid chances of an audit, do you recommend keeping separate bank account? What I have done is put that money into an account that already exists, but will pull it over only in the amount I can show the checks for each time I pull it over, rather it is payroll and keep a good accounting of it. That way it doesn't get co-mingled with other funds. It is always a smart way to do. Let’s see any other questions here?

Hazard pay allowance for the payroll costs factor into the caps per person? Shawn, do you know the answer?

Shawn Parker:
I believe hazard pay as much like a bonus. It is limited by that $100,000 mark. You can get up to that amount and the same right below speaks to the self-employed. I think we have seen this question come up as well, the earlier guidance spoke to the 15,385 cannot exceed period, with it being moved out to 26 weeks, I am positive the dollar amount will be adjusted. It will not be the same. They're not going to build it on an eight-week period.

Allen Dobson:
The question is the max for owner be the same even though it has changed 24 weeks. The answer is yes.

Shawn Parker:
I do believe so.

Hugh Tilson:
There is a related question about whether or not 401(k) and health insurance is included that 15, 385 max?

Shawn Parker:
I believe typically the dollar amount is just directly to compensation. Those other benefits are not added into the dollar amount for annualized rates or otherwise.

Allen Dobson:
Right, that is my understanding as well, Shawn. We will check that for sure. I am pretty sure that is the case.

Shawn parker:
Thanks.

Hugh Tilson:
Did we get the expansion rated 24 weeks, thus that mean I cannot factor in 24 weeks instead of eight weeks? I think we got to that.

Shawn Parker:
Yeah.

Allen Dobson:
Increasing the amount that you can take, you can spread the amount over 24 weeks.

Hugh Tilson:
Got you. As a reminder, please, submit questions using the Q&A function. If you do have any questions and you are on the phone, you can send us an email at questionscovid19webinar@gmail.com so that we can respond to your questions.

Shawn Parker:
If we can move on to the next topic, again it was just announced today and has been of interest for this group and so many others, Dr. Dobson, did you want to speak to this?
Allen Dobson:
No. On previous webinars there is a lot of talk about what about if I am a pediatrician or OB and I do not take care of a lot of Medicare patients? I have not gotten any relief to the other relief funds and we have been anxiously awaiting and lobbying for Medicaid or money being sent to Medicaid providers? Just today they announced it. It is like a two-page announcement. As usual, not all of the questions are answered. We are going to tell you what we know as of today and as they issue guidance will put that up on the website and get it to you. This is going to be one of those things where some of it will come to people automatically and then there will be an application that attaches to it. Shawn, if you will just walk through it.

Shawn Parker:
Sure. When we spoke for we distinguish between general fund, which initially came out and what it was based on, Medicare and a second general fund. And then they started earmarking some targeted funds for specific areas of the state, for different types of providers. Up until now it spoke the need to get it to Medicare providers and they had not had it. Today's announcement shows the secretary of HHS has

earmarked $15 billion for eligible providers that participate in state Medicaid programs. Eligible here is the questionable part. I believe tomorrow we will get the new enhanced portal that will probably be comparable to the uninsured portal or the second general distribution portal, you have to upload your potential Medicaid numbers and probably half to report gross revenues. They anticipate out of that $15 billion that about 35% of Medicaid providers will draw from this fund. One of the concerns about this is it speaks to if you received money from the general fund, such as through a Medicare payment, you would not be eligible. This will be solely for people who have not received any money from the provider release fund. If we can flip to the next slide?

I am sorry, we only have two.

Thank you. The eligibility that we spoke to at this point is you have not received from the general distribution and you directly build between these dates. As Dr. Dobson said, tomorrow they will hopefully have the portal up and running including the rules and regulations around it. I will respectfully say you speak highly to your advocacy teams at the sponsoring organizations to be sure this is not an oversight and that really anyone who was serving Medicaid should probably be able to draw from this. A practical guidance here if you have received money from the general fund, but it was really nominal. I think we probably should develop work through a strategy asked whether or not you should return the money after doing the math your Medicaid distribution would be so much better than maybe a case where you can say I am going to reject the funds under my Medicare the for service and only take the money from this Medicare portal. The information of the rules will hopefully be out tomorrow. Since there is flexibility, the secretary has full authority under the act to modify it. It is not too late for voices to be heard at that level on how important it is and that you really should not be disqualified if you have taken money maybe out of the uninsured portal or if you have a few Medicare fee for service. Currently from announcement, that is how it reads. That is the information we have at this point. I will say, the very good news that they have gotten to this point and really have designated funds for Medicaid providers.

Dr. Dobson, maybe some questions related to this or any that are still caring over from earlier we are open to discuss.

Hugh Tilson:
With regard to this we have a question about the you think these funds are first-come-first-served? Do we have a sense of that? The follow-up is where can the portal be found online?

Shawn Parker:
The portal will be put on the paycheck protection page -- I'm sorry, the provider release grant page where they have the general portal and the uninsured portal. It should be up tomorrow. The first part of the question was?

Hugh Tilson:
Is it a first-come-first-served or is there a risk of it running out if we do not act quickly?

Shawn Parker:
I do believe that the language speaks to that the actual amount you will receive is based on they may wait and see how many people apply and what that looks like. It is very possible there is more than $15 billion that could be expended under the spending on high Medicaid populations being served. I would not sit on it. I would be starting to pull together your 2019 revenues related to the Medicaid population.

Hugh Tilson:
There was a question, can we send a link to the portal? Was it already up? Is it something I can try to find?

Shawn Parker:
It was not prior to the start of our call. We can definitely a link out to the general page that has all of the other portals. We can follow that up.

If you give me a minute or two, I can look it up.

Allen Dobson:
There was a question, if you have an employee that for some reason is going back to school or something happens and they are unable to return to work, with a count against you, replacing their FTE? That is a make provisions where if you talk to an employee and they refuse, you can document that and that would potentially help mitigate any of the FTE rules. I am not sure exactly how that will be applied, they did recognize that to be the case. There are questions about how do you calculate forgiveness? Probably the best thing right this minute is to ask your CPA or even your bank. A lot of them have spreadsheets where you can calculate your forgiveness. As just plugging in the numbers, we had one we distributed in the very first webinar, but it is not right anymore because of the changes. As soon as we see a good one, we will be posted. You can grab it and take a look yourself and how that would work.

Shawn Parker:
If you're looking for the link, it will be at www.HHS.gov/coronavirus/cares-act- provider-relief-funds/general-information.

Hugh Tilson:
Why don't you repeat that? My guess is that people are paying attention but not that well.

Shawn Parker:
Ok I'll go slow as well. It is HHS.gov/coronavirus/cares-act-provider-relief-funds/general-information.

Hugh Tilson:
We'll get that posted as soon as we can find a good place to do it. We will email the link out tomorrow when it is up. Is what we will end up doing with that. **A couple of other questions: how can I calculate the forgivable amount of a loan?**

Shawn Parker:

The SBA has a number of room calculators that are a good way to judge. You also can follow through the forgiveness application, even the old one and get some sense on how much would be forgiven. There are numbers – a number of calculators out there. I would utilize the one on SBA. Paul me and others can get a general information page to this and other things on the CCNC website.

Hugh Tilson:
Is the money advance and to be paid back? If so, what type of term and interest rate? I am assuming it is similar to Medicare relief?

Allen Dobson:
That is our assumption.

Hugh Tilson:
Does the provider fun as for the percentage we write upper Medicaid on the receipts?

Shawn Parker:
They have not announced what information you are going to have to submit. That will be the driver.

Hugh Tilson:
Where can we find the PPP loan forgiveness application?

Shawn Parker:
An outdated version will be on their website. You certainly can get one from your lender as well, but as we describe, most likely it is going to have to be modified to account for a new cover period.

Hugh Tilson:
Is your 2019 revenue or 2018 tax return used for the relief fund?

Allen Dobson:
I believe they're going to use the 2019 revenue not 2018 tax, if they follow what they have done before. There is a question Hugh about full-time FTE. Full time is considered 40 hours per week. It is not individuals. If you have a bunch of 20 hour a week employee, they are considered have an FTE.

Hugh Tilson:
Is there a scenario to make it more beneficial to let the eight-week period, even if there was an amount that would not be forgiven?

Shawn Parker:
I think if you are about to be acquired and that would change your entry into a relationship into a system or otherwise it might change your FTE or salary significantly. Having to wait 24 weeks until the cover period ended would interrupt the business deal, maybe that will be the case. Or maybe to the sense that you want the satisfaction of knowing it has been resolved. Eight weeks are over, you have submitted your application and you know exactly what you know, and you can start life fresh again.

Allen Dobson:
I think a lot of people who got the first round of money, actually we are two weeks away from the end of the first eight-week period. It

is kind of like or even a week away from the end of that period. If they have already spent the money it may be advantageous that they change the rules, you might still want to go ahead and get your loan forgiveness and go on, because you don't really have any more that you can spend. Those who got it later could then adjust their approach by stretching their expenditures out over the period.

Shawn Parker:
Correct. The only way you're going to seek 100% forgiveness was to write off a lot of large bonuses that do not make sense in your business structure, the extended period allows you to continue to pay at the rate that is appropriate.

Hugh Tilson:
Will I have to request changes from eight weeks to 24 weeks?

Shawn Parker:
No, I think it will come in your loan forgiveness document. It just applies, I think it will be the other way. We will see with the new application, if it has a tag for which one you want to follow. That is now the new cover period.

Allen Dobson:
If you are in the first group and you signed loan documents that specify the two years and you may have to go back and modify your loan with your bank or lender. That will likewise be when you do your forgiveness. Of course, that will not apply if you are fully forgiven. They will have to modify the terms of your original receipt.

Shawn Parker:
I imagine the number of promissory notes will be amended for this change.

Hugh Tilson:
A couple specific questions for payroll: is the net employee pay or net pay what counts? Also, if our eight weeks and in the middle of the payroll period what do we do? Our payroll is the 15th and 31st of each month, do we do an extra payroll to cover the ending of the eight-week period?

Allen Dobson:
To answer the first question the gross pay of the employee includes their individual withholdings is included in the amount, not your portion of the FICA payments. If you happen to have a payroll, you have one more week of eligibility into weeks of payroll, then only one we will be applied. SBA did allow you to change or eligible period where if you are on a two-week cycle, you could choose to start your first payroll after you received the funds and then run past your eight week period, as long as the total amount covered was eight weeks.

Shawn Parker:
They also allowed you to use both payroll costs for considered paid on the day the paycheck was distributed for your clearinghouse originates, you can add cost incurred on the day the employee pay is earned. That would allow you the carryover. You could not count them

both. If you're covered period ins, you can count the week before the cover period ends, even if those people have not been paid yet. There is a flexibility either way there.

Hugh Tilson:
I heard today's changed FTE to 40 hours, very few are at 40 hours. I counted them as FTE on my original application. What would that mean?

Allen Dobson:
I would assume you could adjust your numbers based on your actual numbers and you would do that with the lender.

Shawn Parker:
The worst-case scenario would be you would end up with a forgiveness component if you have a longer period of time to chew that up. Even if you get someone in for a couple of hours, that may be worthwhile for forgiveness. You can have is someone calculate it at 0.9 or 0.75. It is not just one straight one FTE or 0.5 or zero, you can be in between. You may want to look to your schedule or at least during the last period of time when you are demonstrating your FTE were the same in February 2020 as they are at the time you are seeking forgiveness, you can work through it that way. Earlier guidance had us taking the FTA definition of 30 hours to be an FTE and they did come out and say no, they're looking at 40 hours. As Dr. Dobson said, it can be covered by more than one person. You can have two people working 20 hours and you have your FTE again.

Allen Dobson:
A couple related question is when they talked about employees, they are not talking about specific people. They are talking about an FTE count. That is the thing they're going to look at the end. If you have someone leaving you replace them with someone else, they really one not knows that. Likewise, sure FTE count was not used to determine how much money you received upfront. I assumed your lender can adjust those numbers to be accurate. We will check into that.

Shawn Parker:
There are also two measurement periods, you have February 2019 through June 30, 2019 or January 2020 through the end of February 2020. You can see which one makes the most sense for when you go to measure. One good thing that they have assured is you will not be double billed. You will not lose credit for FTE. Say someone was working full time and they dropped to part-time, you will not get hit with further reductions of salaries now they are working, it will be one of the other. With a couple of categories of safe harbors and forgiveness should might be able to justify why and that should not count against you for the forgivable amount.

Allen Dobson:
There was a question about what utilities are allowed in the employee costs. Your power, water, sewer, telephone, your internet charges, it is fairly liberal as far as what you can plug into utilities.

Shawn Parker:

If you use quick books, usually they break down how you spend your money each year. Anything they may justify or see like a phone bill, cellular phone bill, cable television is an appropriate one in some locations. It is what you have those monthly standardized bills for like power, of course.

Allen Dobson:
The last one is back to the new announcement. Shawn, I think you are dressed this. **If you see more Medicare patients the Medicaid is a wise to return the money that you've gotten?** I think that guidance will be you want to sit down and look at what that would be like and see which is most advantageous for just assuming numbers of patients. I think it is actual revenue.

Shawn Parker:
It may be broad revenue and not just related to revenue, at least the estimates seem to really like it was just patient care and not patients who are inefficient areas of Medicaid. The one note on whether or not you should give the money back, right now the rule will be you have 90 days to return money from the general distribution fund. I think most people are still within that window. You may want to see the new guide is coming out and have that in mind. I think you have 90 days to return the money or you will be deemed to have accepted and all the terms that come with it. You want to look at the date the money hit your bank account.

Hugh Tilson:
A couple more questions about employment. So, a full-time employee goes on a part time leave prior to the end of the eight week period. Will she become a part-time employee? Does that even matter as long as the hours are being accrued?

Allen Dobson:
Her being an employee would be counted at the end of December, your employee count. However, the fact that they are unpaid means that you have an expanded some of the payroll money. The equivalent would be a less than full-time person.

Shawn Parker:
I do nothing it looks like the individual basis shows where they work this month a full-time basis. You will look to other things like if they were still eligible to be a part of your benefits and stuff. Some things were full-time employees are eligible our time are not. They are on an unpaid leave they probably qualify. It is things like that that we will look at. Feel free to utilize and the CCNC hot topic email where we can narrow down and get a little more information and maybe follow up with clear guidance. These are very good questions. I am very pleased to see the participation, even on late notice.

Hugh Tilson:
Are you allowed to add someone to your payroll that was not there previously? I am self-employed, but I have had to have assistance and part-time help keeping up with all the information coming through. Would I be allowed to use any of the money to cover the contractor?

Allen Dobson:

Yes. They are not going to be looking at who you have before, which individuals. They are really looking at how many people are you paying? How many people are you paying on a full-time basis? If you had a full-time person and you replace them with your four quarter time people, it would still count.

Shawn Parker:
Just an asteric on whether we fielded a contractor or special rules that they are independent contractors, they can apply for it themselves. You certainly could hire people and spend down payroll costs on those people. You can also use those people to help offset reductions that would then happen during the covered period, so long as you get to it before the December 31, 2020 deadline.

Hugh Tilson:
Do you have to be consistent on expenses incurred and expended? For example, counting expended payroll and invoices incurred?

Shawn Parker:
I am not certain I understand the question, is there a way that could be rephrased?

Allen Dobson:
I think the question is could you pay or if you paid rent this month and it was actually rent from last month, could you do that? I think the answer is yes. I have not seen anything that really gets down to the nitty-gritty of do the expenses occur during the covered period. I think they are only looking for if you pay during the cover period and not when he was actually incurred.

Shawn Parker:
That's right. You can make payments and that will count, and you can incur it without making a payment, maybe you pay them after the covered period. I think early guidance allow for prepaying rents. That will be a case where it was paid, but not incurred. You have not stay through the month in your lease. That makes a lot of sense to me, Dr. Dobson. It is likely acceptable. Again, with all of these things what you are looking for is clarity from the lawmaker. Were they going to see and quickly sign off on as appropriate? There is not really a process administratively to argue these. You want to work candidly with your lender. Mostly you want to document these very well where it is clear this is red; this is how much I spend. These are the cost I spent toward payroll and this is when I paid it, or this is when the cost was incurred for employees I have on staff.

Hugh Tilson:
Going back to a high-level question, the provider relief fund, can be used for anything? Does it have to be repaid?

Allen Dobson:
It can be used for anything and does not have to be repaid.

Shawn Parker:
That is my understanding as well. The provider relief fund targeted for Medicaid. I would say the relief fund for uninsured; you would have to demonstrate you provided that care or did that task or otherwise to someone who had no other way to be reimbursed by it.

Then it is money like any other money you get form any other payer, it is your money.

Hugh Tilson:
I have a question about the utility services, are they only for services in use prior to COVID? As we move to telehealth, we have to add additional utilities, do those count? Do they have to be in existence prior to this or does any expense count?

Allen Dobson:
They are not looking at prior, it just has to be an appropriate expense now.

Hugh Tilson:
I want to clarify statement, we received our lone on 4/21, our paycheck date was 4/23 for 4/16-4/19, can the 4/23 payroll check date the use for forgiveness? It is kind of like a law school exam question.

Shawn Parker:
I will start with it, yes. Payroll costs are considered paid on the day paychecks are distributed. It does not matter if the amounts were incurred prior to. On the 23rd when you made that payment, that exact dollar is within your cover period and appropriate.

Allen Dobson:
The only caveat that, Shawn, is that the back end, you know, you will not pay the last week or two of your cover periods until after that cover period. What they have allowed you to do is choose whether to start with your first payroll, even though it is covering a period prior to when you got your loan, you have to be consistent. You could wait and not use that payroll and use an eight-week period that was shifted past your cover period, they did allow for that.

Shawn Parker:
You can choose based on paid or incurred. You cannot benefit from both if it is for both the same expenses. I felt that you could maybe gain the benefits of monies that have been spent, I think you definitely want to deal with your lender to be sure and to provide an alternate payroll period so that it doesn't start until you make the first payment so that you have the choice . 26 weeks of 24 weeks, I think, the benefit of having it extended is you don't worry as much. Eight weeks was a short period of time. The extended period should rectify a lot of those concerns. You should be able to build out your 60% more readily through that period of time.

Hugh Tilson:
We are just about out of time. Somebody posted the Provider Relief Fund's terms of agreement is now available on the website. It states the recipients and the payment will be used to event, prepare for and respond to coronavirus and the payment shall reimburse the recipient only for healthcare related expenses or lost revenues attribute it to coronavirus.

Shawn Parker:
That is the standard rule, but they certainly gave a full waiver that any healthcare activity was related. It was and that you actually

had to provide COVID related care, any care that you are doing at this time impacted that. We actually address that may be in the first one about what does that mean? What can you spend the money on? I am fairly comfortable that you fit the category of qualification and you show where your expenditures are where you have been a part of it and once you receive those monies it is reimbursing for those activities.

Hugh Tilson:
I'm trying to think. I had two people on maternity leave and three retire, should we consider these leaves slash exists?

Shawn Parker:
Well the guidance before was that if somebody just left, they are still on your shoulders and now on retirement scenario or otherwise there is three good exceptions where you could probably fit into one of the beds. First with the retiring you offer them their jobs and they say no I'm retiring then you are probably qualified under that exception for a good-faith effort to bring them back. If they leave it would be slightly different. They need a few more details. Anticipating there are a number of things in light that you could not control and would not want to hold you responsible for those. At the same time, they want you to time as many employees as justifiable and that is what these funds are for, so you have people coming to work.

Allen Dobson:
I would say if you think about it this way there are two kind of gates that you need to consider. Spending the money that they gave you in the time period for person and they have provided so that you don't have to spend 60% of it before and so that is gate one. And for gate two is having the same number of FTEs and the good thing is as you mention with the maternity leave the assumption is that the maternity leave people will come back. The extension of that date to have your FTE back up is a major benefit. So those two things are true but unrelated, spend the money but then get your FTA count back up if you can and there is a prorate change, I think and ain't that right Shawn?

Shawn Parker:
That's right.

Allen Dobson:
So, it is not an all or none and you can get some exceptions as Shawn has said you offer them a job and they refuse, and you document that and that will give you credit. So, I think it is as flexible with a somewhat complicated and hastily done set of rules that are changing for the better.

Hugh Tilson:
So, its 7:02. We are supposed to end at 7. We got a bunch of questions coming in. How do y'all want to handle that?

Allen Dobson:
We can reply back individually I think if that is ok with everyone.

Hugh Tilson:
Well we got email addresses for everyone so why don't we do that. So, what we will do is a couple of things. Number one is Shawn and Allen

thank you so much. I mean what a great presentation great information. Timely. Responsive. Thank you so much for your expertise and sharing it with everybody and for all of you all that participated thank you for your time and you will get a follow up from Allen or Shawn. These slides are already posed on the website. Thank you, Paul. And we will continue to add links to that as well. So, Allen and Shawn let me turn it over to you to close up.

Allen Dobson.
Thanks Hugh. I think again we just want people to know that it's there and don't let the deadline slip by if it's something that could benefit you and your practice ask us ask your collogues who have already applies and we look forward to everyone to be doing well as this COVID-19 kind of moves on to the next phase.

Shawn Parker:
And a number of questions relate to the Medicare link and it is not available at this time but we will do -- and I certainly hope we have a way to communicate to those who were on tonight once it becomes available and any other information that will give us our best insight into what the best expectation is and how do you apply and who is eligible to apply. Then again it is out there when they say you have received money from these components of the Relief Act which is not PPP so you can have the PPP and provide a relief grand funding accepting that they are both different programs and it is acceptable to be in both of theses programs. But we will know more as soon as we can release that announcement, we will speak to that.

Hugh Tilson:
Thank you everybody please stay safe and healthy. Take care.

Shawn Parker:
Have a good night. [Event Concluded]