Sarah Baizer (00:00:00):
Hello everyone and welcome to today's webinar, Non-Traditional Financing Sources for FQHCs during COVID-19 Spotlight: Payroll Protection Program. My name is Sarah Baizer and I am the Research and Data manager here at NACHC and I am so pleased to bring you this webinar. Unfortunately, Colleen Meiman, who was going to be the host will not be able to join us today, so I'll be serving in the role of her along with our (cough) technical assistance partners, Allison Coleman and Jonathan Chapman at Capital Link, who you will get to hear from in a few minutes. I will now turn things over to Allison Coleman, Captain Link, Chief Executive Officer. Thank you.

Allison Coleman (00:00:44):
Thank you Sarah. Hi everybody. This is Allison Coleman and I'm going to walk you quickly through the first part of this presentation before turning it over to Jonathan. What we really are trying to cover today is, we'll start out with a brief overview of the current state of health center operations particularly as it relates to visit decline and related revenue loss as a prelude to discussing a number of the financing resources that are available to health centers that I know many folks have a great interest in.

Allison Coleman (00:01:22):
Today's focus is really going to mainly target the Payroll Protection program. We'll present some results of an assessment that we are in the process of doing to help understand health center's success or lack thereof in applying for payroll protection loans. We have a health center CFO who has been successful in applying for payroll protection loan that she will share her experiences with us. Then we'll talk a little bit about preparing for what's next. As probably many folks have heard that Congress has passed a bill that includes additional money for the Payroll Protection program and we'll talk about tips and recommendations for health centers that are still trying to apply for funds through this resource. Next slide.

Allison Coleman (00:02:23):
Colleen is not with us today, but my colleague Jonathan Chapman, who is the Chief Project Officer at Capital Link will be speaking as well, Joan Bondi, who's the CFO at Health Link in FQHC in Indiana. Next slide. A little more than a month ago, Capital Link started modeling the revenue impacts of COVID-19 based on what we were hearing from health centers across the country on the visit declines that health centers were beginning to experience. We did this modeling back, it was like in March, I guess 21st we shared the results with NACHC and with PCAs and this first estimate analyzed what the revenue impact would look like with a 50% decline in patient visits over about a three month period.

Allison Coleman (00:03:20):
The results of that initial analysis told us that we expected health centers could lose up to $3.2 billion in lost revenue and affecting about 85,000 jobs across the country during that time period. We also looked at the effect of health center on cash reserves that would be greatly depleted and also looked at the lost revenue in and jobs in communities that really depend on the spending and the existence of the health center as a major economic driver in the communities. So, that was our first estimate. The next slide please.

Allison Coleman (00:04:05):
So we updated the analysis a few weeks later based on a little bit more information that we were hearing from health centers and also extended over a longer time period. So many of you may have
seen this graphic it appeared in NACHC's most recent issue brief and it looks at... it estimates revenue loss at health centers based on 60% visit loss at health centers over six months. It shows about a $7.6 billion loss in revenue resulting from 34 million fewer visits and a very substantial job loss. Next slide please.

Allison Coleman (00:04:54):
At the same time HRSA began asking health centers to report their experiences on a weekly basis. I really want to thank all of the health centers that have taken the time to really provide this real time on the ground view of your experience. It helps greatly in terms of our understanding of services that health centers are providing and also the financial impact. I know that HRSA has been using the information, I know Capital Link has been using the information, NACHC has been using the information. I really want to thank you for taking the time and to encourage you to continue to report this information because it's a great help to the field. So this is the most recent information that is up on the HRSA website now from the most recent week of data.

Allison Coleman (00:05:52):
So you see that the current experience nationally is about health centers are experiencing... are seeing about 51% of their visit as compared to their prior pre-COVID average visit. So that translates into about a 49% decline in patient visits, which of course then translates into a decline in revenue. I should also say that in looking at the State by State data there is a much more varied picture. For example, I noticed in the most recent data set that we received from HRSA that the Indiana health centers have experienced about a 70% loss in this week of visits, whereas in Arizona it's about a 35% loss. So we need to keep in mind that this is the average across the country, but each of you in your own States may be experiencing something that looks a little bit different. But it's certainly the case that everywhere across the country, health centers have been experiencing very significant declines in patient visits, which affects revenue and of course affecting revenue, affects operations and the ability to sustain payroll.

Allison Coleman (00:07:22):
So it's really in this environment that health centers have been greatly aided through additional HRSA funding that's been recently approved and made available. It's also... it points out why the Payroll Protection program offers really a lifeline to many health centers and it's been such an important resource for all kinds of small businesses, but health centers in particular. So that's really why we want to focus on that resource today because of its importance to sustaining health center operations. I want to now turn it over to Jonathan to talk through the various types of funds that have been available so far for health centers. Jonathan.

Jonathan Chapman (00:08:13):
Sure. Thank you Allison, and certainly thanks to NACHC for collaboration and the opportunity to share this with you. Certainly thanks to everyone out there, it's been quite a few months. As we start looking at nontraditional financing sources, you'll see here on the slide a little bit of the phasing in if you will, of the various stimulus and relief efforts and obviously we're not going to be able to cover everything from every aspect and every resource, and again, streamlining what's on... folks they seem to be discussing the most at the time, as well as preparing for what we anticipated over the next couple of days. Without reading some of these slides, they'll certainly be available and used as a resource.

Jonathan Chapman (00:08:53):
You can see there that way back, a month ago Stimulus One included $100 million for 330 funded health centers. HRSA put together that calculation and it provided that. Again, we'll provide some links and some other resources throughout the webinar and as a post follow up to where you can pull some of this up specifically. Then in Phase Three as everyone is probably very well aware the CARES Act, which included the Paycheck Protection Program or the PPP as well as the Main Street Lending Program. You'll also remember that soon thereafter HRSA announced the 1.3 billion that went to the 330 funded health centers as well along with an extension of the section 330 mandatory funding. So lots of specific resources and relief if you will, support coming directly to those 330 funded centers.

Jonathan Chapman (00:09:52):

Now, we were also included in the hundred billion dollar Provider Relief Fund. You'll also remember that the initial 30 billion of that was dispersed at that time based upon previous Medicare billing. We'll talk a little bit more around that initial calculation as well as some anticipated funding coming from that $100 billion fund. So what's happening at this moment? As Allison mentioned, both the House and the Senate have approved a $484 billion stimulus package, which we're referring to for now as 3.5. You can see here the 310 billion of new funding to the PPP. Again, this is to replenish that program and that process in which again, today's webinar will focus a good deal on. After that we'll talk a little bit more later when we talk about sharing experiences. Of that 310, 60 billion is directed towards small community banks, CDFIs et cetera. 60 billion will be an additional SBA Economic Injury Disaster Relief Fund. For those of you that remember that was one of those programs that was put out initially, it is a loan but that was the first product that came out online under the SBA umbrella.

Jonathan Chapman (00:11:14):

You can also see here 75 billion in additional funding to public health and social services. So we'll talk a little bit more about that again later in the webinar when we talk about preparing for the next couple of days. I will mention here while there's nothing specifically mentioning FQHC in that particular portion of funding, there's nothing that omits us either. Then finally you can see here the 25 billion to expand COVID-19 testing. Of that, 600 million is specifically going to 330 funded and look alike health centers. But as you may have heard as well as I did, Mr. Jim McCray on a recent call, I believe it was yesterday mentioned that that is going to be directed towards testing efforts and not nearly as flexible as some of the earlier funding.

Jonathan Chapman (00:12:03):

Just up here for... we mentioned Stimulus Four, I debated whether even including that, it's just simply because we continue to hear Congress talk about what the next stimulus product might be. Certainly NACHC and the advocacy folks have been doing a great job behind the scenes and continue in this effort. At this point, it seems that some of the earlier publicly comments coming out of Congress is looking at like state and local governments, infrastructure bills, et cetera. So that's just an acknowledgement of additional funding likely coming. Next slide please.

Jonathan Chapman (00:12:41):

We're going to roll through some of these slides. Here is just a simple listing of a lot of other programs that were not mentioned on the previous. You can see there that there's the Federal Tax Credits, there's Deferrals of FICA, there was the Advanced Medicare Payment to those Medicare providers based on previous billings and claims. You can see Expanded Unemployment Insurance. Certainly most folks have heard about some funding from FEMA as well as the Telehealth Utilization and Reimbursement and it
goes along with that. I understand that the FCC continues to have some funding toward their Telehealth Grant Program, which it does include, I've seen thus far two announcements where some of those early grant awards were made and they do include some health centers in both rounds. Next page please.

Jonathan Chapman (00:13:34):
So here is where we talk a little bit more and Allison had mentioned the previous surveys that you've been participating in, either on a state or a national level and certainly those have guided and directed a lot of our work on your behalf. Collaborating with NACHC, Capital Link did put out a specific survey around the PPP program. As you can see here that the first indication was sent to health center CFOs on April 14th. We also notified the PCAs around the country that the survey was going out and certainly do kind of share that link and awareness and intent of the survey. Then we did follow up with a second request on April 22nd. You can see here that as of just yesterday, we had 209 responses and there is the link and again, just for reference, if we go forward in the slides, we can start looking at some of those early results. You can see here that on the left we've got a semantic map, certainly not quite to scale for those in Alaska.

Jonathan Chapman (00:14:37):
The PPP survey responses, you can see that obviously there's a different number of health centers per State. So, this isn't anything beyond just reflecting who has responded and who hasn't. You can see there that it varies from no responses in a State to as many as 35. Then on the right, the data becomes a little bit more meaningful where we actually wanted to look at the approved amount that we know of through our survey. Certainly this is not encompass of every health center PPP experience, but of those that have responded and they said they were approved and provided the amount, this is what we've seen thus far, as far as dollars. So you can see Washington, California, some States in the Midwest have done significant amount of money. We're not going to share the individual responses at this point, but again, just to give you an idea of the responses that we've gotten and what it looks like in the aggregate. We'll look at a few different slices of this data in the next slide.

Jonathan Chapman (00:15:45):
Okay, big step. There we go. So, if we look at some of the survey results, on the left hand side, you can see those that indicated they had applied and their application was in process. Now we know as of April 16th, the PPP program exhausted their funding and SBA excepted no more applications. So when I say that it was listed as in process, this was the date of the response. So, obviously several of those have changed over time. But from this point, we had 79 of these in-process applications, which is about 45% of those that had been submitted to the banks. Obviously in-process here could mean a various degrees of process. It could have been, I've submitted it to the bank or the bank submitted it to SBA and I'm waiting on the final amount or SBA has sent me a number, I just don't know the amount, nor have I received the funds.

Jonathan Chapman (00:16:40):
Whereas the graph on the right indicates 95 of those proved applications that had gotten a number from SBA and of those, almost all of them, 89 had responded that they had a dollar amount. So those 89 that had been approved and shared the dollar amount really equated to about 200 million, which was just over two million per application. Now, you'll see in just a few moments when we look at the PPP program overall, this is significantly higher than the national average, but it's not a bad thing. It's certainly appropriate. We do anticipate once the survey wraps up, we'll also continue it in the next
Jonathan Chapman (00:17:35):
So these are some of the experiences in comments. Now this is not scientifically filtered but it really was those comments that tended to come out more than once or throughout the process or the survey. So of the 207 responses that we had as of yesterday, 30 had not applied for various reasons. Funding had been depleted before their application was prepared. Several mentioned having more than 500 employees and we'll touch on that aspect in just a few moments as well. Some simply said that they expected the HRSA funding to be sufficient, to fill the anticipated revenue decline. That the remaining comments were kind of common across the board, whether or not they had been approved or not to where banks may not have had the applications ready or they had delayed submission to the SBA. There was a delayed access to the application process itself, either on the banks, the technical or the documentation or simply their willingness to accept those applications.

Jonathan Chapman (00:18:39):
There were several comments about national banks not working with nonprofits or prioritizing other customers. Then simply, some vague guidance from SBA or the bank that had delayed some submissions. So again, a lot of this is common. I've heard it on several calls with HRSA and NACHC. Again, wanted to convey this slice, if you will, of the FQHC experience. The next slide will show those that were in process and I'm certainly not going to read through this, but you can glance at it. Again, some of the similar things that you just heard. But there were some good responses, right? Lenders provided quick turnaround on portals, approved the process and helped with documentation as well as the other extreme talking about uncertainty around specific aspects of the application, banks asking for things that were not in the initial guidance.

Jonathan Chapman (00:19:34):
We've heard that the application process itself had a couple of revisions and so some folks were submitting older versions. We had a couple of conversations with health centers that did work with the larger banks that were moving applications along and felt that they had just gotten lost in the process. Then again, some banks have the ability to limit the amount of loans they wanted to take on, limit the type of applications that they were working with. So, a various responses, various experiences that again, just only educate and help us prepare for the next round of funding. The last group, as we just mentioned on the next slide, talks about those that were approved and you might expect, hey, we went through the process and it got approved, everything's great. But there were some... certainly some concerns that were shared.

Jonathan Chapman (00:20:24):
You can see there that the first one, there were some concerns about the employee and the funding calculations as well as the forgiveness calculations that will come later. A lot of folks put in multiple submissions to banks and so it was almost like a horse race, if you will between the lending institutions and we'll touch on different advice and experiences around providing those multiple applications. You can see here, had to switch banks after initial poor service, more steps in documentation that was required. Some, many actually, found that the process was very slow in the beginning, but the finish was much quicker. It was like once they had documentation in place and the banks had their own internal
processes figured out, then processing through the SBA and getting that response and confirmation worked pretty well.

Jonathan Chapman (00:21:16):
We'll hear from Joan at Health Link in just a few moments about her experience. There are certainly... we did talk to a number of extremes and while we want to talk to Joan about some of the better experiences, one health center in particular and I said I wouldn't name them, but they gave me permission to give a little information, it's a substantial health center in suburbia in New York City and they have a 30 year relationship with a national bank, they're at a hotspot. They had all their documentation in place and they were not ever submitted to the SBA. It was a series of misadventures, if I can call it that, around counting of employees and then trying to calculate the salaries and we'll discuss the max 100,000 per employee and then they have some affiliates.

Jonathan Chapman (00:22:07):
So there was a lot of discussion around which affiliates would be approved or included in their application. The ironic thing is, two of their affiliates applied as sole source or independent and they were approved while the health center was left on the outside. So that was one of the worst, I guess, examples that I really talked through. As we go forward here on the next slide, I do want to transition a little bit. Talking about the SBA, again, for those that do not work with the Small Business Administration, they typically work with only for-profits. So, that is one reason that you don't hear about them often as far as an operational or a capital financing resource is because they work with for-profits.

Jonathan Chapman (00:22:56):
So, while they have done work in disaster relief with nonprofits in the past, this is a little different from them and certainly the scale is a little different. You can see here that 80% of small businesses that had applied for a loan were still waiting as of April 17th. Again, we mentioned that the program closed April 16th. But again, we certainly want to share, I read about one small Philadelphia bank that really opened its doors to both customers and non-customers while the rest of the State's larger banks were on a wait and see effort, they jumped right into the process and were able to process 750 applications equaling 300 million.

Jonathan Chapman (00:23:35):
You can see here as of April 16th, when those funds were exhausted. The SBA announced that there was over 1.6 million loans issued for 342 billion from almost 5,000 providers. So those across the scale, there has certainly been a lot of different businesses. It's certainly not nonprofits. There's a lot of for-profits, small businesses out there. You can see here the average loan size in the program was just over 200,000. If you remember, from our FQHC survey, the average is over two million of the entire PPP program or I guess that's duplicative, the entire PPP. Healthcare represented about 183,000 loans and so you can see here that 40 billion has gone toward the healthcare industry. Going to the next slide please.

Jonathan Chapman (00:24:30):
Here is where I want to transition and introduce Joan again. I know Allison mentioned her a little bit earlier, for those of you that follow some of the NACHC, I guess the NoddlePod and things like that, what a great resource by the way and some of their other documentation, Health Link was one of the first health centers that notified us that they had entered the SBA process and been approved. So in
talking with Joan, we thought that she would be a great resource to share her and her health centers experience. Joan.

Joan Bondi (00:25:01):
Thank you for inviting me to share Health Links experience. We had a very positive experience through the whole process. About a week before the applications, we released... I contacted our bank, the bank we do business with, we have our operating funds at this bank and we have two mortgages at this bank. I just did an inquiry phone call. I asked them are you participating? What do you know about it? At that time they said, yes, we're participating, we don't have a lot of details yet, but we will keep you on the list and we will let you know as soon as we know something. A couple of days later they sent me the application and then a couple of days after that, the application was due April 3rd. They notified me in the morning, said that's the wrong application. They revised the application, here's the new one, get it back to me.

Joan Bondi (00:26:05):
I filled it out, got it back to them, by 5:00 PM the loan was already in process. Monday morning, bank informed us that we were approved for the loan and we'd be getting paperwork shortly after and the loan four or five days after we get the paperwork back to them. The following Monday we received the promissory note paperwork, filled it out, got it back to them the same day and the money was in our bank on the 15th, two days later. So the whole process was a 15 day process for us. It went very, very smooth. The paperwork was very straight forward. The second piece, if you can advance to the next slide.

Joan Bondi (00:26:54):
The second piece that made it very easy for us is our partnership with our payroll processing company. The payroll processing company really was on the ball. They came to us and all their clients and says, "We have the report ready for you. If you're going to apply for this loan, the report is ready for you." They calculated the number of active employees, they calculated the dollar amount. It was a giant worksheet, it had three different tabs from total amount and then all the detail that followed. They followed the rules of the hundred thousand dollar cap and they calculated it correctly all the way through the cap. The thing about this program that's still not defined is the reporting. The backend reporting is not defined yet and how the forgiveness process is going to work after the eight week time period.

Jonathan Chapman (00:28:02):
Great. Thank you Joan. If I'm not mistaken, Joan will hang around with us and be available during the Q&A session to discuss-

Joan Bondi (00:28:11):
Yeah.

Jonathan Chapman (00:28:11):
... other specifics about her experience. Great. Thanks. So Alison and I will take the next slides as we get to that Q&A. As we start preparing for what's next, right, you build on what you know and try to reduce the uncertainty going forward. Again, just a quick snapshot of what the current 484 billion, 3.5 does contain. Again, 310 billion is going to the PPP program. There's a couple of things and I'll mention briefly
here, there's been a lot of, I guess news and press around some bar profits, some publicly traded corporations receiving quite significant sums from former PPP funding. As those that may or may not be aware, a lot of that is being given back and I'm just assuming that when they return those monies, it will just increase the pool size for the rest of us going forward.

Jonathan Chapman (00:29:07):
So we'll make another note of that soon. But as you can see here, 60 billion, is going to smaller lending institutions, again, like credit unions and CDFIs, really to make sure that the appropriate amount is spread appropriately. 60 billion additional SBA Economic Injury, that's that loan that has that $10,000 cash advance or grant continuation of it. Again, 25 billion to testing of which 600 million is going to 330 funded and Look-Alike health centers. Then that 75 billion in additional funding I mentioned earlier that does not specifically state community health centers and I've read quite a bit of that the hospitals are looking at this is making up for some past revenue. So not yet knowing what that calculation and disbursement process might be. Now the next paragraph you can see here refers to the hundred billion dollar provider relief fund. That did come from the CARES Act.

Jonathan Chapman (00:30:06):
Again, you'll recall that the initial 30 billion went out to the providers based on previous Medicare revenues. So, there was some discussion around that calculation and that appropriation. So the next 20 billion that's being allocated so that the overall 50 billion disbursement, it's going to be ended up being based on net patient revenue from 2018 from all sources. So, it's based on what you provide HHS, here's the link here and it does state that all providers will have to provide or submit their revenue information through this portal. The portal is there now. For those organizations that HHS already has the information, they began processing some of those payments today and it's going to be a rolling so just because they have your information doesn't necessarily mean that you'll see the money today, but there is a rolling tiered effect here.

Jonathan Chapman (00:31:03):
So they're expanding the information, what the calculation and the disbursement is based upon and several health centers have very small Medicare departments. That was a national concern. I read one instance about a children's hospital, right? Very large health system, almost no Medicare whatsoever. So they didn't receive any. So, this second disbursement with this 20 billion, it's almost going to be like a makeup. So health centers will see varying amounts based on their prior billing. HHS also indicated that skilled nursing facility, and this is a quote, skilled nursing facilities, dentist and providers that only serve Medicaid patients will also be eligible for shares at the hundred billion. Now, how that's determined and finalized about providers that serve only Medicaid patients, I've seen the word only put in a couple of different places within the Senate to where I saw it once the providers that serve Medicaid patients only. So, I don't know how many providers are out there are 100% Medicaid but that's something that we'll continue to monitor going forward.

Jonathan Chapman (00:32:12):
Preparing for what's next. Again, some of the other things besides the PPP, some of the things that are already out there, we mentioned earlier the Main Street Lending Program. This was one of the first resources that was mentioned for those health centers that had more than 500 employees. You can see here that there are two different lending programs and it's available for those with up to 10,000 employees. Now you can see here the minimum loan is $1 million and it's not forgivable. So it's
obviously not nearly as attractive, if you will, as the PPP, which is forgivable even though as Joan mentioned, we're still waiting on finalization of that forgiveness calculation.

Jonathan Chapman (00:32:51):
We've also got some reimbursement for COVID related treatment of the uninsured. So, this is something else that I heard HRSA mention just a few days ago, a signup period begins April 27th. You can go to this website that's linked here in the slide. You can begin submitting those claims, May 6th. Now you can go retro for this, specifically COVID related treatment of the uninsured retro to February 4th and they anticipate reimbursement beginning in mid-May. So, as far as reporting, Joan said that the reporting aspects, some of those went pretty straight forward for this initial PPP. I think the real challenge, certainly after I've heard instances of it, the real challenge for health centers is balancing. I've got all these expenses and I'm not supposed to double dip, appropriately so, so which expense is eligible for which? Now I will say that I've seen some really good guidance from both HRSA and NACHC on that and we'll certainly provide that in our resources and in post presentations followup.

Jonathan Chapman (00:33:54):
Then again, just real quickly and again, not to put any specifics or any promises to it, but again, there is continued conversation in Congress around what Stimulus Four might involve. Although again, I will say that early on it tends that the focus is not on healthcare, but again NACHC has been doing a tremendous job behind the scenes ensuring that healthcare specifically FQHC are reimbursed and represented. So we'll go to the next slide please. So, I'm going to take a deep breath and let Allison kind of kick this off. These are just some of the things that we've heard both from experience and preparing for the next round of the PPP.

Allison Coleman (00:34:38):
Thanks, Jonathan. So in a couple of the... well, there are a lot of questions coming through the chat and we'll try to get to the specifics in just a few minutes. But just a few tips for those of you... many of you we think are in process right now with your PPP applications, about 45% actually of the respondents to the Capital Link assessment, were still in process. So our suggestion to you if you have already submitted a PPP application, we really think you should reach out to your lenders really today. We think, but are not 100% positive that every bank will follow this, that if you are already in process with your application that you will remain in queue. But we think you should confirm that. I think as Joan demonstrated, having a direct contact and a conversation with your bank, with your banker can really make a big difference in terms of moving you through the process.

Allison Coleman (00:35:45):
I think it's also important that you try to get information from your bank on... there really, if you think about it, two approval processes. There's getting through the bank approval process where they basically say, yes, the paperwork is what we need to submit to the SBA. It's really the SBA approval that you ultimately need in order to move ahead with the loan documentation and funding. We've heard that some banks are pretty transparent about whether you've made it through their internal approval and your loan has been sent to the SBA and basically you're just waiting for the SBA to approve your loan. Some banks are not disclosing that, so you don't necessarily know whether your application has already been submitted to the SBA and it's just awaiting SBA approval. But it's good to try to find that out from your bank just so you know where you are in the process.
Allison Coleman (00:36:43):
Unfortunately, time is of the essence in this program, 310 billion has been approved but we know there's already a long queue for that money. So, it may give you a sense of where you stand in that queue if you at least know that you've made it through the bank approval process. If you have not yet applied for the program, it's still the case that only organizations with fewer than 500 employees can apply, but we really encourage those who are eligible to really move as quickly as you can. You should reach out to your bank, ask them about their specific application requirements. There is one specific form that SBA requires, which is called Form 2483, but many banks... banks are requiring additional information. So you see on this slide the typical things that we've heard that banks are asking for as part of an application, so that you'll want to get that together.

Allison Coleman (00:37:55):
Also, we've heard a number of health centers kind of stumble a bit when you look at the Form 2483. Right in, one of the very first questions is about applicant ownership and this gets back to what Jonathan was saying, the SBA really mainly looks at the world from the perspective of for-profit organizations. A lot of health centers left that blank in their initial application because nonprofits don't really have ownership and then the applications get rejected because of that and then you have to fill it in differently and get in line. What we suggest is that you specifically ask your bank what they are requiring. Basically what we've heard is that they are requiring the CEO's name, address and social security number and then in the percent ownership part of the box, you put not applicable 501C3 organization.

Allison Coleman (00:38:55):
Then that's basically been required. There's a requirement that lenders know their borrowers and that this is their proxy for how they know their borrowers if you're a nonprofit. So, ask your bank about that. But you really... time is of the essence so you need to get in line very soon because who knows how long. The last funds were expended within 13 days. There's been some talk that probably over the next week or so this additional funding will be fully allocated. A couple of things to note for when you do receive a notice that you have gotten SBA approval, what that generally means is that SBA then kicks it back to your lender and your lender will have 10 days basically to get you your loan documents, which as Joan mentioned are very straightforward and there's no negotiation about them, you just sign them, send them back and then your bank funds the loan. Typically, we think that the requirement is that banks document and fund the loan within 10 days of SBA approval.

Allison Coleman (00:40:13):
Next slide. So here's where Jonathan and I were going to go a little bit back and forth about some questions that we have heard from many health centers and that probably some of the ones that you have here in the chat and Julia will be gathering up the chat questions and fielding them to us as well. Maybe I'll start and then Jonathan you can jump in.

Jonathan Chapman (00:40:42):
Sure.

Allison Coleman (00:40:43):
So there is this concept that it's the salaries that you can include in the payroll protection plan calculation is basically the first hundred thousand of employee salary. So if you've got a doc or
something that makes 170,000, you can include them in your calculation but only the first hundred thousand of salary and it includes... actually we have on Capital Link's website, if you want to go to caplink.org and click on the top where it says COVID Resources, there is an Excel spreadsheet there that can help you figure out exactly what salaries to include or what expense categories to include and it might be easier for you to take a look at that because it's pretty complete.

Allison Coleman (00:41:45):
Also, as Joan mentioned most of the payroll companies now have basically a COVID-19 calculation resource that will help you figure out exactly how you deal with the amount per employee. Someone asked a question I think about, is it 100,000 that's paid in the eight week period? It's not. Basically you take your hundred thousand and you divide it by 12 and that's your monthly max and you can basically cover two months of salary during that period. You can't just put everybody's six months of salary in that eight weeks, it has to be a kind of a prorated basis.

Allison Coleman (00:42:35):
In terms of the double dipping question, this is a, I know a big concern for a lot of health centers and no, you cannot double dip, just need to... and so what that means is you need to think very carefully about what I sort of call your COVID-19 buckets, which are really... you need to think about and may even want to put in your general ledger, add to your general ledger basically cost centers for the specific COVID-19 resources that you are using because for each resource you can only put the... you normally pay for your expenses once, so you need to think carefully about what is in your H8O bucket, what's in your H8C bucket, your H8D bucket, I think it's called and your PPP bucket.

Allison Coleman (00:43:37):
If you're getting money from the hundred billion dollar program that is another bucket and you need to think carefully about how you allocate your costs in those different buckets. The eight week period of the PPP program begins on the day... basically the date of your loan. So it's not when you get approved from the SBA, it's not when you submit your application, it's the date of the loan and it's eight weeks from that period. So you need to think about those eight weeks. If a big chunk of your payroll is going to be covered by PPP during that eight weeks, then you need to think about... the good news is there are 44 other weeks in the year, right? So if you're trying to... if you have allocated most of your H8O HRSA funding to personnel costs, it's very likely that you have sufficient personnel costs in the other 44 weeks that you can cover with your H8O grant but you can't cover... you won't want to be drawing on your HRSA grant for the same costs you're paying for with PPP.

Allison Coleman (00:45:01):
Yeah. I'll stop there and see... I think there are probably a number of questions related to this double dipping question. But Julia, are there any there that I haven't gotten to with this double dipping question?

Julia (00:45:12):
There are. So one question, does this include the HRSA funding that they receive for COVID-19?

Allison Coleman (00:45:21):
Yeah. You really need to think about all of your different COVID and... so, all of your different buckets of HRSA funding, your regular HRSA grant, your H8O grant, and then the different buckets of COVID-19...
related funds and think very carefully about what expenses are you going to cover in which bucket? Because you can't put the same expense in two different buckets. So there are timing considerations to think about. PPP is pretty narrow in terms of the expenses that you can cover for PPP is in that eight weeks immediately after, based on the date of your loan. So only expenses that you pay for in that time period are eligible for PPP loan forgiveness. So, you do need to think about which expenses you're putting into which bucket.

Allison Coleman (00:46:23):
Same thing if you are applying for the FCC Telehealth funds and putting telehealth costs in that bucket you can't put those same telehealth costs into one of your HRSA buckets. So you really do need to think about cost centers and think and document, document, document. At some point there will be probably a lot of review of how these funds are used and you want to be able to document really carefully how you've applied your expenses to the various resources that you're accessing. I don't know, Joan, if you've got insight into some of these questions that you may have been thinking about already as you figure out how to mix and match various funding sources.

Joan Bondi (00:47:17):
Absolutely. We are keeping that double dipping rule in our mind at all times and we do have class centers set up in our accounting system and we will be tracking each one of our grants and the PPP funds so that we aren't double-dipping.

Allison Coleman (00:47:40):
Thanks.

Julia (00:47:43):
Allison, we've received a couple of questions about the timing. Can you go a little bit more into detail about the eight week, when it starts and what the timing includes?

Allison Coleman (00:47:55):
Yeah. Okay. The eight weeks begins on the day... after you get approved from the SBA, your bank will actually send you a promissory note and there are a couple of loan documents that you'll have to sign and that promissory note will have a date on it, basically the start date of your loan. It's basically eight weeks from that date then, literally count out eight weeks from that date and it's expenses that you pay in that eight week period. It includes your payroll costs, your rent costs, mortgage interest, health benefits, I'm trying to look at my other list here of other costs.

Allison Coleman (00:48:50):
So you want to think carefully about... at least as Joan mentioned, the information yet on exactly how the loan forgiveness aspect will apply, is still a little fuzzy at this point. I think we're going to be getting more clarification in the coming weeks on that. But it's our current understanding that basically SBA looks at this as, it's expenses actually paid, so you'll want to make sure you pay your health insurance premiums in that eight week period and not miss it by one day or something like that. I don't know, Joan, if you've got thoughts on that. That's at least our understanding is that it really is, it's payroll payments, it's payments of rent. It's not accruals, it's payments.

Joan Bondi (00:49:48):
That was my understanding too. It is actually cash based, not accrual-based.

Allison Coleman (00:49:56): Right.

Julia (00:50:00): Joan, we have a question here for you, a follow-up to your comment. Do you allocate employees to separate cost centers?

Joan Bondi (00:50:09): Yes. Yes, we do.

Julia (00:50:16): Thanks. We had one other question for you, just give me one second. Is your intent to only apply once or were you planning to apply again?

Joan Bondi (00:50:26): My understanding is you are allotted that dollar amount. It's two and a half times your average monthly wages. You can't go over that dollar amount. We drew down that full amount on the first round so we would not qualify for more. We could have chosen not to pull down the full amount and then I think we could have went back for more.

Jonathan Chapman (00:50:57): This is Jonathan. If I can address, I know that that's one of the questions we have up here on the screen about applying for more than one PPP loan. We've gotten various I guess experiences or advice about applying for multiple loans at the same time and letting the banks kind of race to the finish line. The suggestion there is to be sure that each bank understands that you have multiple applications. I will say going forward there's going to be a good bit more oversight regardless of why, whether it be fraud or just accounting purposes, what have you into the number and types of applications going in. So while you can only be awarded and funded for one PPP loan, it's not like you can go in for one eight week period and then go in later for a different eight week period. That's not part of the rules right now. So you can apply for multiple loans, but you can only be approved once.

Julia (00:51:55): Thanks. We've received a lot of specific questions about what can be included and the caps that we'll be sure to include those in our followup Q&A. I did want to highlight, we received a comment from Joe Bowman from FTLS reminding folks that if you receive a PPP loan you cannot claim the employment tax credit under section 2301 of the CARES Act. I wanted to flag that. Also, wanted to share that one health center received their second HHS stimulus this morning and another health center shared in the comments that they successfully applied for and received their PPP loan and that the process was interesting to say the least. So thank you and please continue submitting questions, we'll attempt to get to as many as possible, but we will also include them in the followup Q&A. So, one question we've received is, I've been approved for PPP and I already received the funds. What's the best way to keep informed about how to apply for forgiveness and how to calculate it?
Allison Coleman (00:53:03):
Well, this is Allison. I'll start, maybe Joan might have thoughts on this as well. I think you should definitely talk to your bank about whether they will have specific guidance. There are... we're reviewing right now, we've seen a couple of calculators out there that different accounting firms have put out that have a lot of disclaimer language on them about, that this is their best guess basically. We'll be reviewing them and if we think that there are one or several that are clear and good, we'll put them up on our website as well. You can read the text of the bill, which is not terribly clear on exactly how the loan forgiveness is to be handled, but what we think is that basically you will put in a request to your bank probably after... probably pretty soon after your eight week period has been completed and you will ask for a loan forgiveness and you will have to then provide documents that show the expenses that you paid during that time period.

Allison Coleman (00:54:22):
There are some calculations that... so some of the way that your loan forgiveness could be diminished i.e, you might take out a loan and then not have the entire amount forgiven has to do with... you're going to have to account the number of employees that you had immediately before the... basically, I think as of, I think it's February 2020 and then look at the number of employees that you have after the eight week period or at the end of the eight week period. If you, for example, furloughed staff or laid off staff and your employee count has gone down during that time period, then the amount that you're eligible for loan forgiveness would be prorated. Similarly, if you have kept people on but you have cut their salary during the time period, then the amount that you're eligible for forgiveness also gets prorated.

Allison Coleman (00:55:25):
Exactly how those calculations are going to work is still a bit murky. But I think that you know the banks because they will have to review your information and basically sign off on it in order to give you the loan forgiveness, we think that they eventually will have some guidance for you specifically on how to calculate the loan forgiveness.

Julia (00:55:56):
Thanks Allison, [crosstalk 00:55:57] we have a couple-

Jonathan Chapman (00:55:59):
Oh, I'm sorry Julia-

Julia (00:56:00):
Just go ahead Jonathan-

Jonathan Chapman (00:56:01):
... just real quickly I was going to... I know we're running short on time, I was just going to quickly touch on the other two questions that are mentioned there before we take a few others. There's one about the PPP eligibility exceptions for FQHC with greater than 500 employees. While there is an exception or for-profits with more than 500 employees around revenue size and profitability, it is my understanding that FQHC is in most if not all, nonprofits do not apply to those exceptions. So at this time, to the best of my knowledge, I'm confirming that if you have more than 500 employees, you are not eligible for the
PPP. Then how much of my PPP loan amount can I use for expenses besides payroll? There are some very specific guidance around that and as you know, eight weeks of salary plus 25% to other expenses so that 25% of other expenses continues to hold firm as far as I know.

Julia (00:57:04):
Thanks. We've gotten a few followup questions on the comment from Joe. I'm going to see if we can unmute him and if he'll chime in to answer, so just give me one second. I know that we've received almost 50 questions so we will be sure to collect all of them and submit them for inclusion in the followup. All right, I've found Joe and I'm going to unmute you if you want to chime in.

Joe Bowman (00:57:35):
Yes. If you could, I'm not seeing the questions that were posed, so if you could just read me the questions, I'll be happy to provide an answer or if I can't provide an answer now, definitely within the FAQ on Monday.

Julia (00:57:48):
Sure. Can you clarify the comment about how FFCRA credits apply if they receive PPP?

Joe Bowman (00:57:58):
Yeah. So I was talking about CARES Act. So the CARES Act under section 2301, which talks about employment credits for retention of employees, it expressly states that this credit is inapplicable if you receive a PPP loan. When it comes to economic injury disaster loans, it's not as clear. But one could argue that similarly if you have received federal fundings through one of the loan programs that is helping you retain your employees and you can't essentially double-dip by also claiming the tax credit. So just something to think about.

Julia (00:58:44):
Thank you so much.

Joe Bowman (00:58:46):
Then just to comment really quick on the question that was posed earlier that we've just discussed. It's correct that for nonprofits, so for health centers, you have to be under 500 employees, including all your affiliates, which is kind of a back intensive inquiry, which there's a lot of factors considered. But as you mentioned for-profits can qualify either on employee size standards or revenue size standards as well, but that only applies to for-profits and nonprofits would still have to be under 500 employees for the PPP loan. But under the Economic Injury Disaster Loan Program and Emergency grant, nonprofits could qualify with more than 500 employees based on our read of statute.

Julia (00:59:37):
Thank you so much. Jonathan or Allison, anything else before we wrap up? We are collecting your questions, please continue to submit them through the chat box. We'll keep it open for about five minutes after this webinar ends. Again, the slides will be posted this afternoon on the NACHC website, which we're very excited about and you'll receive notice when the webinar recording and transcript is available, which we expect to be early next week. Allison and Jonathan, anything else before we wrap it up?
Jonathan Chapman (01:00:06):
No, thanks Julia.

Allison Coleman (01:00:08):
I might just give one last plug for the assessment that Capital Link and NACHC are doing together to try to document health center experiences and applying for the PPP program. We have done basically two outreaches to health centers, we probably will do several more over the next couple of weeks so that we can document how many of you have been successful in obtaining PPP loans, whether there are still a number of you who are still in process, when the next... this current funding runs out. That's information that's very useful for us to know so that we can act accordingly and hopefully try to make sure that health centers are well-represented in the small businesses that obtain these important funds.

Allison Coleman (01:01:06):
So if you see... you'll be seeing requests basically going to your CFO's from Capital Link probably a couple of times over the next couple of weeks asking you for maybe updates if you were in process with your application. We want to hear whether you've been successful, et cetera. Thanks everybody today for your attention and we will certainly respond to all the questions that we haven't been able to get to on the call.

Julia (01:01:32):
Thanks. I also want to plug all of these great resources that we have posted here. We also are hosting a finance office hours for health centers that will be April 28th at 2:00 PM and featuring Corinne Axlerod of CMS.