Emily DeMent (00:00):
Hello everyone. And welcome to today's session Grants Management Extended, Getting Your Books in Order, which is part six of our new series, Finance Office Hours, Strategies to Manage Operations During COVID-19. My name is Emily DeMent program associate and the training and technical assistance department here at NACHC. And I'm pleased to bring you this webinar along with my colleague Gervean Williams, Director of Finance Trainings who you will get to hear from in a few moments.

Gervean Williams (00:26):
Thank you so much, Emily, and welcome to everyone on the call today. Thanks for taking time out of your busy schedule to join us for this very important topic of just making sure you're accounting for things appropriately. This is the sixth of the Finance Office Hours we've had, and they've been very popular, but we think we're going to pivot now and do a different training offerings. So, any feedback or any information that you want or need to learn about you can either put it in a chat or you can email it to me gerveanwilliams@nachc.org, and I'll put my email address in the chat. But again, thanks for everything you do. And thanks for your participation. And with that, I'll turn it over to our partners at BKD, Jeff Allen.

Jeff Allen (01:10):
Thank you very much. Appreciate that Gervean and Emily, and we really are excited to be here today. You know, really the number one risk right now in community health centers is compliance and double dipping and spending money the correct way, and making sure documentation is in place for all of this stimulus and grant funding that has been given to our industry. Certainly a blessing. We're really glad for it. It's really made a huge difference. A lot of health centers are really finding their way out of some of this crisis now because of the stimulus dollars that are here. But the risks that are there are going to linger on for probably a while longer and probably into the next year or two as we really work to document what we've done and make sure that we can stand up to audit into scrutiny.

Scott Gold (02:14):
All right, thanks, Jeff. I appreciate those comments off the top. And one thing that I wanted to kind of share with the audience was, I thought I would try to tee this up and really focus on the whole picture of what we're kind of navigating right now as it relates to the pandemic and a lot of the funding that is coming at us and the impacts that we're having on our organization. So, before I turn it over to Jansen and David to kind of get down into some details on some of the things that have been happening with the shifts and the compliance and the new guidance that's out there, I kind of just wanted to tee it up with us. And really, I just thought maybe as Jeff mentioned we get a lot of our health centers that just have a lot of angst and anxiety right now, what's on everyone's mind.

Scott Gold (03:09):
So, we're faced with these changing delivery of care realities with our pandemic. We're having to do things in a different way. We're having to embrace technology in a different way, and we're really
focused on, how do we get out there and connect with those patients that we're serving. And there's a lot of shifting of our staffing assignments, and there's a lot of moving things around that we need to do and that's hard, and that takes money to do. And so, one of the things that everyone is trying to navigate is, all these shifting compliance rules and all these things that we're hearing as Jeff mentioned, well, we've still got to do our day job and take care of our patients. And so, those activities that we're having to do that address the staffing shifts and things like that, it's going to be critical for us as you kind of listened to David and Jansen talk about some of the compliance.

Scott Gold (04:15):
So much of our cost and our organizations are our people. It's people costs. It's about 70% of our budget. So this tracking that we're going to be talking about today, as another challenge for us as we're shifting duties within our individuals will be to kind of align those things with that compliance. Probably one of the number one things that I'm hearing from our governance boards right now from our management teams, as we talk to health centers, "Scott, I've got all this new money, what do I do now? And I'm worried that I'm going to have to possibly give some of it back." And I think what you're going to hear when we talk about spending strategy, and we talk about timing on some of these things, in essence, the stimulus funds that we've all received were designed to help us to keep doing what we need to do for our patients.

Scott Gold (05:17):
And we're going to have some time to do that. I think one of the things that I just have heard from a lot of people is, how long will I have to spend this money? And what are the specific things I can spend this money on? And I think I just kind of want to set a broad tone that we're going to have some time to spend the money. So, strategically looking at what's happening in our communities with our patients as it relates to responding to the pandemic, don't be afraid. And this is kind of my fourth bullet, and I'm kind of shifting, don't be afraid to spend that money on the things that you need to do to take care of your communities. But I think it's that common sense reality where we say we'll spend it wisely. So a lot of this money may stay on your balance sheet as deferred revenue or money that we're going to use into the future. And that's okay.

Scott Gold (06:22):
We don't have to be in a hurry to spend it. So that's one of the common things I just wanted to kind of tee up for everybody. My third item there compliance and silos versus overlapping rules. So, I just want to caution everybody as Jeff mentioned, there's a ton of compliance and rules and regulations that we have to follow. We need to be careful that we're very well versed in what those rules are for each individual pot of money. And then also as grantees with our federal grants, there are a lot of those rules that overlap. So, you guys have heard a lot about the concept of no double-dipping. You've heard a lot about documenting lost revenue. We got to be careful not to just stay within those silos on those concepts and really take a step back and look at some of these overlapping rules.

Scott Gold (07:27):
So, that no double-dipping on expenses is going to apply across the board, and we really do have to track expenses for every dollar. And then one of the things that I try to just conceptually say to folks is, "Look, none of our stimulus money is just going to drop to our bottom line. We're going to have to attach it to expenses at some point along the way." And again, that last bullet there just, I'm hearing from everybody that's just saying, "Gosh, how do we keep track of all this? Do we need to have these
things built out in our general ledgers? Can we use a spreadsheet tool to track, how detailed do we have to be?" And I think just the common sense advice there is you absolutely do want to track every revenue dollar, every expense that you have that's related, tying it to the pandemic and then also some of our normal operations and then doing that crosswalk to match those things up.

Scott Gold (08:34):
That's where you're going to want to be when we get down the road and we've got our auditors, or we've got somebody else asking us, "Hey, I know you got that money. What did you spend it on?" So, with that I'm going to hand it over to Jansen and essentially let him to dive in a little bit more on our payroll protection program.

Jansen (09:03):
And as our team got together and started thinking about some of the issues that had really bubbled up since we're all able to last speak to the paycheck protection program itself was one that we felt deserved quite a bit of attention. If you've been following this program over the last couple of weeks, there's been a tremendous amount of information that's been put forth and is out there to help us answer some of those questions that we may have had as we've started to think through some of the forgiveness procedures there. After the last NACHC call that we had into that evening the actual forgiveness application was posted by the small business administration or SBA. And if you've had a chance to go pull that document down and spend some time with it, I think that's a great idea.

Jansen (09:51):
If you haven't, I would strongly encourage you to spend some time reading through that, familiarizing yourselves with it. It's going to feel, in my experience, a lot like a tax form where you drop some information in here, you go to the worksheet, you go to the supporting schedule and it all flows back into that overall forgiveness calculation. So, it's not an overly clunky process, but there are absolutely some decision points in there that we're going to want to make sure that we think about. And then late last Friday SBA actually issued two additional interim final rules, and one was really focused on the lender perspective. But the one that we're going to focus on today is much more focused on the forgiveness process and trying to clear up some of the questions that have arisen since the program has been rolled out and provide some additional clarity there.

Jansen (10:44):
And really, if you think about this program, there are some, the applications, I believe, started being processed on April 3rd. And if you look 56 days from that time that's today. So we have health centers out there that are rapidly approaching this forgiveness calculation. And from a practical perspective, what we wanted to spend some time discussing today were some of the decision points that have come out of the forgiveness application itself, and understanding what may make sense for a health center, depending on your circumstance, what may be a little bit more challenging, looking at some of the decisions related to the forgiveness reduction factors. We've got requirements that we maintain our level of compensation for employees, to a certain extent. We have FTE methodologies that were made available to us.

Jansen (11:37):
There's some exceptions that have been brought forth as borrowers raise questions about if this situation brings itself how would we handle it? So some clarity on that. And then there's also a safe
harbor that we'd like to talk about. And then in addition to that, I'd like to a little bit of time thinking through some of the nuance and finer points of the qualifying expenses, whether that's on the payroll side or the non payroll side. And some of the things that for me personally are a little bit surprising, understanding what the implication is and kind of what the momentum is around some of those things. So let's start with some new information on covered periods. And if you're at all like me, we started this program and this process and there was this concept of an eight week window, 56 days.

Jansen (12:27):
And I took that as the disbursement dates, and then the window starts and it closes at the end of the 56th day. And we had a bit of a pleasant surprise when we started looking through the forgiveness application and instructions themselves. One of the features that they've rolled out and the SBA, the treasury discussed, it and said, it may make more sense for our borrowers to, instead of on the payroll side, roll out this 56 day window on day one of the loan disbursement, to spend some time thinking about, well, maybe we can find an alternative covered payroll period. And with that, we have an option to, instead of starting day one, we begin that covered period on the first day of the first payroll period after the funds are dispersed. And if you think about this, this is really just meant to be something on the administrative side that makes the process a little bit easier.

Jansen (13:28):
So, as a borrower we have an obligation to be able to generate and produce auditable records. And it gets a little bit messy if we're not able to cleanly line that up. So, if we're going to look at this alternative coverage payroll period, the beauty of it is we have a 56 day window for the actual payroll cost to be paid or incurred that lines up very cleanly with what our actual payroll records are going to show. I think a lot of health centers will find that useful and make it a little bit easier on you. One caveat I want to make sure to include in there, it's not a blanket option. So, if you process payroll biweekly or more frequently, this is available to you. But if you have a payroll cycle that is a little bit longer than that, this is not something you're going to be able to adopt.

Jansen (14:26):
So that's certainly one other aspect. And you have one caveat there that we want to think through and make sure that this is available to you before you start to go down that road headlong. I also wanted to point out this alternative is available for the payroll cost component. If you asked me to try to find maybe the downside on this I could see that maybe it's a little bit awkward to have your non-payroll costs, starting on a standard covered period. And then you have your payroll costs beginning on a slightly different, but overlapping period. I think as Scott was pointing out with health centers, having such a high percentage of your overall costs being payroll. It's probably not going to be that big of an issue there, so we have to maintain at least 75% of the forgiven costs tied to payroll itself.

Jansen (15:19):
But that is if I had to come up with content, I think that would be the one thing that I would point to. So, let's just take a moment and think through a couple of the nuances on the actual payroll cost side of things. First of all I think everyone is well aware that we do have that cap on there. They set the cap at 15,385 and the math pretty easy on that. That's that annualized $100,000 salary over eight weeks, so just that proration. One point to make on that, that is specific to the cash compensation components or what I kind of considered the gross payroll earned. So, I didn't want someone to go into the forgiveness
process thinking that they’re total compensation or total eligible payroll costs as defined by the PPP would be limited to that.

Jansen (16:17):
It's just that cash compensation component. So if you think about the other things that come through the eligible payroll costs under the definition of the PPP, we have other things like retirement costs, employer sponsored health care and things like that. So certainly something that we want to make sure that we're thinking through there. The second bullet point on this, is one that it took me a while to grapple with and really come to terms with, mostly from the CPA perspective is as I looked at this 56 day window I had it in my mind that we're going to have a cash basis analysis, or we're going to have an accrual basis analysis. And something that was brought to my attention is if you look back to the CARES Act itself, we have this, what I would call some unusual language, and it's continued through the forgiveness form.

Jansen (17:14):
It's continued to the interim final rules. So they've been very consistent with the way that they frame this, but when they talk about qualified payroll costs, they say qualified payroll costs that are paid and qualified payroll costs that are incurred. And the implication there is that you'll payroll costs paid is a cash basis reality. And then payroll costs incurred, we've got a cruel, so you've got cash basis on the front end and accrual basis on the back end. And the implication there would be rather than eight weeks, all of a sudden it’s opening up and looking more like 10 weeks to our organizations, which would absolutely be a win for all the borrowers and their efforts to qualify for full forgiveness and find a way to obligate all those funds, especially that 75/25 rule in place with payroll costs and non-payroll costs.

Jansen (18:08):
I will say, as we've seen this program continues to evolve and change. I'm optimistic that we're going to end up in a good place on this. As I looked through my newsfeed this morning, one of the stories I saw is the house just yesterday passed a bill where they're proposing that it go from eight weeks to 24 weeks. The house wants it to be 60/40 instead of 75/25. I know the Senate has their own version that they're working on. It's closer to a 16 week and maintains that 75/25. Neither one of those have been passed. They're both going to continue to take those up and we'll see where it ends up, but a lot of the pressure is coming from some of these other industries that have participated in the program and haven't been able to maintain their payroll costs. Health centers being on the frontline and being actively involved in the response.

Jansen (19:07):
That is not as big an issue to us. So the momentum seems good on this, but we'll absolutely want to continue our monitoring of how the program is going to evolve. And I thought one of the thing that's that second to last bullet point, it was interesting, the continued emphasis on no double-dipping. And when we've talked about that in the past we're talking about one expense across multiple funding streams. They went out of their way to say, "Just because it's incurred in the period and also paid you can't count it twice." That seems like common sense to me, but they went out of their way to clarify, one expense is one expense and can't be double counted, whether it's across funding streams or within the same. So, I don't think we've got a lot of risk there, but it wasn't to me that they went out of their way to make that distinction.
Jansen (19:56):
Non-payroll costs, as we said earlier, we're looking at that standard covered period. I think we're all fairly familiar with what those categories are and what we're working with in terms of qualified non-payroll expenses. We've got the mortgage interest on real or personal property, rent payments, utilities. We do get questions from time to time what exactly constitutes a utility payment. The CARES Act, and some of the interim final rules have addressed that directly. We're talking about things like electric bills, gas, water, transportation, telephone, and they even included internet access on that. You will note that I put asterisk on all of those. We've got to be able to demonstrate that they were incurred dated under agreement. They were officially in place before February 15th.

Jansen (20:48):
So, that's just one more Is to dot and Ts to cross, but something to keep in mind as we try to capture those non-payroll costs. These costs follow a very similar thought process in regards to timing that we just discussed. We've got that paid during the coverage period, incurred during the coverage period and paid on the next regular billing cycle instead of payroll cycle. But I do want to point out that it may be subject to being prorated. So there's an example in the interim final rule. They say the borrower has a covered period that begins on 61. That means it would end on 726. So let's think about the electric bill in that scenario. We're going to pay the May electric bill in June, the June electric bill in July and the July electric bill in August. Under the cash basis and accrual kind of option that we have, the May bill is paid in June.

Jansen (21:48):
The June bill is paid in July, so it's in. And then the July bill is paid in August. The one catch on this is that bill paid in August for July is only good through the end of the cupboard period. So in this case, we would get 71 to 726. So I think, like we said earlier, at the way things are trending, I don't know that a lot of health centers are going to be ... Fewer health centers will be scraping for costs to get everything covered, but if you're in that position and looking to get as much as you can be careful on these non-payroll costs, because there may be some proration that we have to consider there. One more slide for me. Two of the main reduction factors that we want to think about, maintaining staff levels and maintaining the level of payroll. So, as you get in and work through the forgiveness worksheet itself there is an option for the average FTE calculation.

Jansen (22:50):
You can calculate it yourself. The most a person can be as one FTE and anybody else it is number of hours worked over 40 during that covered period. There is an option to do a simplified calculation where you just say anybody that works 40 or more is one FTE. Anybody that's less is half an FTE. And there may be a few isolated borrowers that look at it and say, "Well, I had 0.75 that went to a 0.5." And if you use the simplified method that may be advantageous to you, but I don't know how prevalent that's going to be with our health centers. As far as kind of one off situations, questions were raised about rejected offers to rehire. You've got a situation where you terminated an employee for cause, or you have some voluntary resignations or somebody is asking for a few hours to be worked.

Jansen (23:46):
The question that was posed to SBA was, will this affect our ability to show that we maintained our FTEs across the measurement points? And the answer is, no, you won't be dinged for that, but of course there is a documentation requirement for that. So if you think you probably have most of that in your
HR files, one thing that surprised me about the interim final rule is when we looked at that in those scenarios where you made an offer to rehire, and that's been rejected by the former employee the SBA guidance is telling us that they are requiring you to notify the state unemployment office about that rejected offer to rehire. So, I don't know what that's going to look like.

Jansen (24:36):
My read on it was they're going to have additional guidance on what that looks like, but there's a 30 day window to document that rejection of the offer to rehire, and then submit that information on to the state's unemployment office. So with that being a set window it's certainly something we don't want to make sure that is slipping through the cracks there. Last thing for me maintaining level of payroll, thinking salaries and wages there. The evaluation is going to be for those making less than 100,000 per year. And as we've gone through the forgiveness worksheet itself, if an employee is affected their average compensation is reduced by 25% or more. That's when we're going to get into a situation when you've got that reduction factor. So there is a little bit of wiggle room for you there.

Jansen (25:24):
But just because there's a reduction that doesn't automatically trigger that we're going to have a reduction factor on the loan forgiveness calculation. So I know a lot to digest there. There's been a lot going on with PPP and I encourage everyone to continue to keep their eye on this one, because it seems like the momentum is we're going to continue to get additional guidance and more information kind of at the end of each week. So, certainly something to look forward to there. And with that I'm going to go ahead and hand it off to David Fields.

David Fields (25:55):
Thanks, Jansen. I appreciate that. Since I didn't have to speak during that early part, I had the opportunity to monitor some of the questions in the chat and Jansen, you can feel free to add in, or kind of clarify any of those if there's additional things you want to add. But one of the questions was you had talked about kind of the legislative issue and the idea of extending that's from eight weeks, maybe 24 weeks, maybe changing some of those percentages. And somebody asks a very reasonable question. Hey, how might that affect the FTE calculation? Can we still use the eight weeks? And this is a refrain that my coworkers can tell you and the clients that I've had the privilege to serve over the last you 20- plus years in health centers can tell you, I hate saying I don't know.

David Fields (26:48):
Normally I like to say I don't know, but I can figure it out. And really what's going to happen on that FTE side of things is we're just going to have to see what that final legislation, and as we've seen what a final rule would mean on that. I do think that they've kind of taken somewhat of the approach that they've not been punitive as some of these regulations and things that have sort of played themselves out. So I would guess that if you're meeting some of those FTE thresholds as they exist now, if the intention is to lighten or make those things a little bit easier that it's not going to be punitive necessarily with how that affects ... Anything you want to add to that question, Jansen?

Jansen (27:32):
Yeah. I was just going to say that the versions that I've seen floated so far, and again not nothing's official yet, so we don't want to get too far ahead of ourselves with this, but my expectation would be part of it is going to be an extension of our measurement periods. So, if you think about the FTE safe
harbor, the way it's set up right now we're comparing our FTE counts on that pay period that covered February 15th, however that fell for your organization. And then we're looking at June 30th, and comparing the two. And if you can prove at that time, your FTE count is equal to or greater than it was back in February, you put the safe harbor and you don't have a reduction. So my expectation, and my initial understanding of what's been proposed is, not only would we extend the window for having those costs, I believe they're wanting to also move back that secondary measurement period.

Jansen (28:24):
So we would be looking something like September 30th or even December 31st.

David Fields (28:30):
And so what that would do is that would be saying, there's still going to be these other calculations that are out there on the FTE, the multiple ones that are in there to consider reduction, but it's essentially giving you a longer window to return to the normal staffing levels that sort of, as you said, safe harbor, which means we meet that, then we don't have the reduction to our forgiveness which could be very beneficial to some organizations, maybe if they had some disruption or some people that they had to furlough that they're having trouble hiring back or replacing. Another question that was out there was, does the incurred payroll process apply to both the original eight week covered period and the alternate period? I love this question that that's asked because we had kind of a robust dialogue with the BKD offices.

David Fields (29:23):
And as we looked at the guidance Jansen's original position was, yeah, it works for both where you can sort of get that bonus payroll time through either method. And really it's, it's a lot of times going to be on that front-end because it's the paid and incurred. So that previous payroll that sort of rolls into that eight week period sometimes we think of that as catching it on the back end. But it's really more so on the front end that, that happens. So, just kind of keeping that in mind. Yes, that's something that's out there. Another question that was asked was, should there FTE be adjusted if they maintain 1.0 but took leave time for the family first, essentially the sick leave policy, the FFCRA and you paid them through that pay code? I think the expectation really is, is that you are keeping somebody on full-time.

David Fields (30:20):
So if you are paying somebody in a full-time status then I think the idea would be that would be a one FTE. As Jansen mentioned a number of times we're always waiting for some sort of clarification or twist on that that might change sort of what we're looking at or provide some clarification, but that, I would personally see that, that one FTE would make sense because we didn't ... The calculations on this are designed to see if you shifted somebody from full time to part time, not necessarily if there was a family leave situation. So, good questions on there. While we recognize that the small business administration paycheck protection program really is the theme of the last two weeks, it's the hot topic. It's where so much of the clarification really has come out that in education they always say, the best teacher is repetition.

David Fields (31:23):
So we didn't want to go through kind of a finance office hours update session without trying to provide a recap or some reminders of questions that we're still getting over the last couple of weeks. And I think where we talked about maybe two weeks ago really establishing a strategy for your grants. We still
recognize that even just with a legislative fix that could be out there that extends the small business administration paycheck protection program period. But what would that do? That would take us from, now we're saying it was a defined eight week and we're saying it's incurred and paid. So now we're sort of saying maybe 10 weeks. So that's another payroll we have to make sure that we're considering and balancing against our grants that are available to us so that we're not double-dipping as Scott reminded us at the beginning.

David Fields (32:21):
So, while my instinct and I know so many of us in the accounting profession is measure twice, cut once. We want to think through all the things that are out there, and we want to really make sure that we do it correctly the first time. I think we may have to come to terms with the fact that as some of these things evolve, we're going to not just have to implement a strategy, but we're going to have to revise and revise the strategy that we have in place. Scott said, we want to understand that the spirit and as Jansen touched on that legislative element is designed to really enhance some of the flexibility that we have as an organization that that's sort of the spirit and momentum of these things.

David Fields (33:05):
But we can't forget that we don't want to find ourselves in the same position, some veterans out there in the health center world when the American reinvestment funds came out that the RF funds back in 2009, there were followups that the OIG did, and it led to a lot of the tightening of grants management rules and regulations on health centers, because we weren't doing a great job. And I think that the industry really learned that lesson, and we're trying to be proactive on this. But that may still mean that as the rules and these things evolve and change a little bit that we're going to have to tweak them, tweak some of our documentation to stay compliant. So, continuing to really analyze those funding streams I'm going to hit real quick, just a reminder of what all those funding streams are on the next couple of slides.

David Fields (34:01):
But understanding that there could be something on provider relief funds that rearrange the order of spending that we would take. I think we're continuing to have to look at what we're seeing in our current environment, and what we anticipate to happen later. Scott mentioned there's this pressure to obligate all these monies in a very short period of time. I know we're all certainly hoping that there's not a second surge that hits the country. But there are some epidemiologists who are saying that that may be something that happens in the fall. And trust me, BKD has no interest in trying to predict what's going to happen on that. That is way outside our area of expertise. But as you're planning and making prudent business decisions there's going to be some variability in how those expenses are incurred.

David Fields (34:55):
I think most of you have begun fracking the really separately identifiable COVID related expenses already. I think we are identifying and preparing our different communities in a variety of levels to how we're going to meet the testing expectations with the third CARES Act funding, and really being careful about those areas because that's more restrictive. And broadly what we're trying to remind people is, is that understanding what all the rules and regulations are that underlie each of these different funding streams, staying current on as they evolve over time. And I'll touch on them a little bit and maybe a little bit more that we know. Again, that the paycheck protection program really is where the bulk of the new
information came out in the last couple of weeks. But being flexible enough to revise your order of spending if that changes.

David Fields (35:57):

And at that point in time we may talk about some of these cash management strategies. We've already hit on budgeting and re-budgeting that might be out there. Just make sure that as you are preparing and you really have submitted the budgets for those first two CARES Act previously, as you're thinking through the attestation requirements for the provider relief funds that you've got that plan and it never hurts to consider how we're going to revise those elements. I have been telling the clients that I get to serve and get to talk to that broadly, I feel like the uniform grant requirements, those grants management principles that we spend a lot of time talking about a couple of weeks ago really are going to be those core principles and maybe the most restrictive way to view some of the funding associated with these various funding streams.

David Fields (36:57):

We've touched on the SBA PPP and how what specific expenses are allowed there. But the limitation on the total, but just understanding that as we think through this, if we are kind of using that as our lens and then being strategic, when we get outside of those typical grants management expectations, I know it, it doesn't feel this way as health centers, but in a lot of ways you're ahead of the curve, just because you've got so much more experience with federal grant funds. Even there's a lot of health systems out there that find their selves trying to play catch up on this. But back to the things that we said in the early days of this pandemic and talking about this, it's where it's important to rely on that good infrastructure that you have, those good grants management policies, internal control procedures to make that happen.

David Fields (37:52):

Two weeks ago we really talked about kind of the overview of the funding. And again, we get lots of questions and a mentor of mine said one time that accountants are better revisers than creators. And I think you can use this as a great tool for that. And what that just means is you give us a blank sheet of paper. We're going to break out in a cold sweat. You give us something and we'll reshape it and say, "Well, I think telehealth should be higher. I think the capital assistance funds should be lower." And we start rearranging those based on our individual facts and circumstances, and that's certainly appropriate. But one of the reasons that we talk about using that families first that medical leave area is that that's something that's going to exist over a period of time. You've established policies.

David Fields (38:42):

It's going to sort of transcend maybe that eight, 10 week payroll protection program window. But just recognizing that we can't charge both programs. And I think that will be something that could very easily trip some individual health centers up the telehealth grant. I think keeping in mind that we've had a tremendous amount of expenditures. This could be, and many are predicting that this is going to be forever shift for community health centers and really all of the primary care environments that telehealth is going to be, not just a luxury or a late night weekends sort of a deal, but it may be a broader part of the healthcare continuum.

David Fields (39:27):
So, that infrastructure that we're spending and being prepared and making sure that if there is further disruptions in the services that we're able to provide that as an organization we are better prepared to make those transitions. And I know that's been really the focus of health centers over the last a couple of months. Recognizing that testing that third award of the HRSA COVID funds for testing, again, talking with other providers in your community one of the questions that keeps coming up is, "Hey, can we pass those monies through to somebody else?" We don't feel comfortable advocating for that at this point in time. All the guidance that we're seeing really kind of takes that down the road of keeping it within your scope of project. But I think there's some opportunities to get creative on that.

David Fields (40:19):
And it really would be an individual facts and circumstances driven element. We spent some time a couple of weeks ago talking about the concept of on obligated funds, and looking at the additional guidance that HRSA had put out on that. And really the flexibility that was there that would even apply to the 330 grant based funds. And that has influenced our order of spending on this. One of the things I'm anxious to see is on these provider relief funds, whether it's the first or second distribution, and a lot of that what we are understanding is, is that that has to do with how they were trying to calculate and get some cashflow out to healthcare organizations in the early days. What we're recognizing is, they may put some different timeframes on that. Right now it's a little bit open-ended.

David Fields (41:10):
And so, if we've got an extended period of time, then that may fall below the 330 base funds, but if all of a sudden they tell us, "Hey, it's got to be expended by December 31st of 2020." And I'm just using that as a hypothetical. That is not something that we're saying, or that we've even heard, then it may reorient based on where your federal grant funds are. But again, that's why we said refine and revise the processes are in place. So, we are getting more and more questions on how do we account for these various elements of the COVID funding. Justin Kinzinger, I believe a couple of weeks ago talked about the ... I guess we're hearing from some elements, the unpopular opinion that's out there, that really this paycheck protection program and the loan forgiveness piece of it, that right now, kind of the conservative safe approach is that that is a liability on your financial statements until that is forgiven.

David Fields (42:12):
Now, Jansen touched on, if we start extending these windows, if we change some of these things is it when we send in the application, is it when the bank processes it? And we're kind of expecting you look at the interim final rule and it starts talking about 60 day window and 90 day window. And I think we're going to see the precise date be refined as practice shows what the forgiveness is, and what ability from, to be in compliance with generally accepted accounting principles, how can we go back and count any of that, or is it set in time. But the most conservative approach right now, and just recognizing that when we don't, when we incurred these expenses over this period of time, and we're not recognizing 330 grant funds or cares that grant funds or provide a relief funds over that period of time, it's going to make the financials look really poor, because we've got considerably more expensive without the revenues really to back that up.

David Fields (43:14):
And it's important that now we get out in front of it with our management teams, with our boards. So they're not surprised. The last thing we want to do is have them get a financial statement that they're expecting to look terrible have it look really bad because we've got this money and we're telling them
it's okay to be proactive in that. The provider relief funds, what we're seeing right now and really hearing is that those are really fitting into those grants contributions. I promised that I wasn't going to get in any sort of the contribution clarification. Accounting standard that's out there that's been sort of tackled in other venues. But the idea is, it's federal dollars. It's not patient service revenue, and it looks like that's still going to be okay to really be operating revenues on the FASBI side. There's a little bit of debate for the few health centers that fall under the governmental side.

David Fields (44:11):
But much like our other grants and all cover the provider relief and maybe where the compliance things differ just a little bit. Some of you may have tried to take advantage of the COVID provide a relief uninsured portal. Our interpretation is that that really is going to be patient service revenue. That's really like a Medicare or Medicaid, it's the government paying for those services that you're providing. So, just kind of keeping that in mind. And then the CARES Act grants. That's something that's going to fit really along the lines of the way you would account for your 330 grant. And we're just reminding kind of with those provider relief with the whether it's the uninsured portal or those grant funds, the CARES Act grants. That we need to make sure that we're thinking in terms of matching up that revenue with the expense timing on those, which I know seems in contrast to the loan forgiveness.

David Fields (45:11):
But don't shoot the messenger on that. That's just the way that the accounting standards are written, and certainly could be subject to change on that. On the CARES Act grants, I'm just reminding people it's back to the basics of document, document, document. It's keeping track of those things that are the most restrictive. It is making sure that we're creating a clear frameworks within our systems. Scott had touched on, are we tracking these things through the general ledger? Yeah. That's the goal. But we recognize that some of our systems are going to be set up for that, and we're going to have to supplement them with spreadsheets or other systems outside of that, maybe something in our payroll system.

David Fields (46:00):
And the key is that it's just got to be able to be traced back to the original source documents. No $20,000 for supplies, and some vague matched to a general ledger account, without it really tying to the specific invoice or a specific individual. Remembering that the federal grant rules apply. Thinking through charging those expenses to one program at a time. Thinking in terms of that, do we need to re-budget? An interesting question came up this last week for me and somebody was saying, "Hey, we're thinking about doing some capital expenditures." And you need to dig in, because health centers really aren't used to thinking in those terms very often. And they were kind of saying if they used it for a building or some something else, when does that federal reversionary interest go away?

David Fields (46:55):
And it really doesn't. And that might be different than some piece of equipment that can effectively be used up at some point in time. So, the idea would be that having a clear strategy on that and just recognizing sometimes the approval process is different on that. I still think we're going to see some health centers out there that with the 15,385 cap over that eight week period that we're going to have some health centers that go ahead and use federal grant dollars for the difference between that. I still feel like the 1973, we want to make sure it doesn't go over like the two week payroll periods. So, I
wouldn't expect that we're just sort of trying to gain that. And especially with the longer windows that are potentially out there. I don't think that's going to be necessary.

David Fields (47:50):

But I continue to say, don't stack those expenses, which would be saying, "Hey, I can do the 15,385 plus the 197,000 equivalent. It's subtracting that 15,385 from the federal period. We've talked about those obligated funds and the potential carry forward requests being specific on those H8E grants. I'm encouraging health centers to really be a specific and use that as one of your most restrictive pieces. And then just that strategy for the order of spending, I think, is going to play in and continue to be a key piece here. On the provider relief funds, things that we're hearing is we still hear that there are some agencies, organizations that have not received all of their money, and we're encouraging them to make sure that they've gone into the system and really filled out all the form and reported some of that revenue numbers corrected some of those things that are out there.

David Fields (48:56):

I still don't know what to tell you as far as how that will play out. I think there have been a few stories of people feeling like they've got a line on that additional provider relief money coming in. But the appeals process is difficult and really is driven right now off of making sure that you correct that revenue number keeping in mind, they use some older cost report number to calculate what that total revenues were. I think understanding that if we assume that the provider relief funds are really following the uniform grant requirements in general, and then if we are having trouble obligating it, maybe that's the point in time where we get a little bit more creative with what risks we're willing to take outside of that element. One of the things that we learned about the provider relief funds in the last two weeks, and again, it’s always subject to change.

David Fields (49:55):

But that it is going to be on the schedule of expenditures of federal awards. The CFDA number they've announced that. And so the question as a CPA firm is, "Okay, well, what do we need to do on testing that?" Well, they're saying at least at this point in time that some of the sections that fall under the audit guidance parts B, C, D don't apply. And it really seems kind of strange and counterintuitive to me because that really is where so much of the activities allowed aren't allowed, the cash management. All those different pieces come into play. So, maybe they come up with a unique way that it gets reported on the CFR. Maybe they clarify what they mean, that the terms, conditions refer to some specific sections out of parts, B, C and D in those regulations. And I think just monitoring that and making sure that we're aware.

David Fields (50:55):

But the more we stay in that traditional uniform grant requirement category and comply with that, the less we have to worry if some of these things changed later. And I think when you make those decisions to step outside of that you are just aware and looking for what that may mean to you as an organization. I did see that there were some questions that came in. Jansen, you feel free to jump in if you see any of them that we can answer on here. One of them was, have we seen any guidance on the timeframe associated with the spend-down? I have not seen any guidance on that. I know that that is an expectation that we feel like we need to know that. What I think we're going to see, and this is just my complete opinion, is that depending on what happens with how the epidemic continues throughout the rest of the year that that may elongate or shorten the allowance period.
David Fields (52:01):
I'm going to read some other questions. Gervean, if there's anything that you want to jump in here and add, you feel free as well.

Gervean Williams (52:07):
What we can do is we can have Ann help facilitate the Q and A, because she's been tracking the questions as we go along. And I think she's like trying to categorize the like questions together. So, Ann, you want to go ahead and facilitate the Q and A?

Ann Loeffler (52:23):
Sure. Hi everyone. So this question, I think maybe for Jansen, so we received the PPP loan on the last day of pay week. Can we calculate our eight weeks from the next pay period?

Jansen (52:36):
So, if the disbursement was made on the last day of a payroll cycle, you would have the opportunity assuming that you do payroll biweekly or more frequently to start your 56 day period for the payroll costs, beginning on the first day of the following pay period. So, that election, it sounds like would be available to that clinic, assuming they meet the payroll cycle requirement.

Ann Loeffler (53:02):
Great. Thank you. I think this is for you too, again. Can you address the definition of transportation as a forgivable expense with patient taxi vouchers and similar types of expenses also?

Jansen (53:17):
That's going to be a tough one. And I've gone through the interim final rules. I've looked at the CARES Act language. I've looked at the forgiveness application. And what's been issued so far is fairly silent on what is qualified as a non-payroll transaction price cost that could be applied for forgiveness. I think practically I would probably ... When in doubt I would lean away from something that's ill-defined so far just, especially if we see this window continue to open, you may have an opportunity to do something that's a little more clear cuts. But if you find yourself really needing to grab some sort of transportation costs I would take a wait and see approach for, because to-date they have dropped that transportation in there twice and neither time have they really clearly defined what would qualify there.

Ann Loeffler (54:12):
So, do you recommend treating the CARES Act provider relief funds as deferred revenue? I think that might be for Scott.

Scott Gold (54:25):
Well, that I can tackle that one, because that's really more of an expectation question. And I would say, yes. The expectation is that it is a liability until we have the expenses that are incurred. I think that's something that we feel pretty comfortable with at this point in time. And I could have emphasized this more but kind of the idea on some of these things that they're conditional. In the accounting sense, what that would just mean is, again, it does not have us recognize that it is a credit balance, a liability or deferred grant revenue until we have satisfied those conditions.
Ann Loeffler (55:09):
Thank you. On the PPP loan questions, if we can use both cash and accrual basis for payroll class, are we still limited to the $15,385 per employee?

Jansen (55:27):
Really good question. That was one of the provisions that kind of tripped me up because I was trying to reconcile my accrual mindset and this 15,385 cap. And I have not seen anything that says we’re going to extend the 15,385. I think it’s certainly something we want to monitor, especially knowing that we’ve got a couple of competing bills right now that are looking to extend the window to either 16 or 24 weeks. Logically you’d think that we would be able to take a proportional bite of that 100,000 annualized cap. But so far they’ve kind of held that from at 15,385 in terms of what can be applied for forgiveness.

David Fields (56:13):
And I know, Jansen, if I could just add. One of the things that we keep seeing is, is that this is designed less. So for the highly compensated. When you look at the calculations if we had reduced wages it doesn’t factor individuals in who make more than 15,385, those wages can be reduced without it being harmful to the calculation. But I guess what we would say is that, on that calculation, you’re having to list everybody individually and how I would interpret it is the most...for any individual is 15,385. So even if we have a 10 week window it probably just increases the amount, they're over. But it may bring some people who were below up to that. And again, eligible up to that point is kind of where people are seeing it at this point.

Jansen (57:12):
Great. Thank you. And I think we might have time for one more question. I wanted to work with a local hospital on testing facilities, but couldn't through our FQHC funding due to scope barriers. If we wanted to use a provider for leaf funds to partner with the hospital, would those find a scope?

David Fields (57:33):
Great question. I have not seen ... The provider relief funds are not specifically for community health centers. So the sort of limitations and attachments that we see on a CARES Act grants that are specifically under that community health center, 9352 for CFTA number aren’t as specifically tied to that. I typically caution people with the scope of project and thinking of using these funds back to kind of that broad principle, Scott said at the beginning. Are we fulfilling the mission and purpose of these? Are we sort of serving our communities? Are we putting our existing mission and services at risk? If those things aren't happening so we're kind of operating within that, I think health centers can be comfortable taking some risk in that area.

David Fields (58:30):
I don't think it's a big risk, but I think partnering with, to accomplish some of these things I would, and when you get the attorneys to comment, but you still have to make sure that whatever services you're providing are still consistent with your FTCA coverage or legally for your federal claims act for malpractice that you can sort of justify as being consistent with your scope project. There are a number of sort of emergency provisions out there for your scope project as well. So, I think brand new clinic and sort of perfectly talk about, I think that there's willingness to be stubble and provide people the ability
and the freedom to meet this as community and maybe some creative ways that wouldn't traditionally be expected.

Ann Loeffler (59:29):
Great. Thank you, David. And I think we're out of time. Gervean, I'm going to turn it back to you.

Gervean Williams (59:34):
Thanks so much everyone on the call. Thanks Ann and the BKD team. We're here and that's to support you. Anything that you guys need out there, just let us know. Enjoy the rest of your day and be safe. Have a good afternoon. Bye, bye.

David Fields (59:49):
Thank you.