RE-IMAGINING CARE:
FY 2020 CARES Supplemental Funding Guidance
The National Association of Community Health Centers (NACHC) was founded in 1971 to promote efficient, high quality, comprehensive health care that is accessible, culturally and linguistically competent, community directed, and patient centered for all.
Engage with your peers using the Chat feature.

Pose questions in the Q&A area. Let us know which speaker to direct your question to. You can also email us at Preparedness@nachc.org.
Take notes in the panel at the right side of your screen. They’ll be emailed to you when the session ends!

Need technical assistance? Click the button at the bottom of the screen and someone will help you with any issues you may have.
Our NACHC Team

Rachel A. Gonzales-Hanson
Senior VP, Western Operations

Gervean Williams
Director, Financial Trainings,
Training & Technical Assistance
Today’s Speakers

Jim Macrae, MA, MPP
Associate Administrator, BPHC

Mike Holmes
CEO, Scenic Rivers Health Services

David Fields, CPA, CMA, CFM
Partner, BKD

Justin Kensinger, CPA
Partner, BKD

Mike Glomb
Partner, FTLF
James Macrae, MA, MPP
Associate Administrator, BPHC

James Macrae is the associate administrator for the Bureau of Primary Health Care (BPHC), in the U.S. Department of Health and Human Services’ Health Resources and Services Administration (HRSA). As head of the Bureau of Primary Health Care, Mr. Macrae manages a $5.6 billion budget that supports nearly 1,400 health centers, which operate approximately 12,000 service delivery sites in every U.S. state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Pacific Basin.

Macrae also served as Acting Administrator for HRSA from April 2015 to April 2017, where he oversaw more than 90 programs that provide health services to tens of millions of people. Macrae earned his Bachelor of Arts degree in sociology from Illinois Wesleyan University, a master's degree in sociology from Duke University, and a master's degree in public policy from Harvard University.
Michael Holmes  
CEO, Scenic Rivers Health Services

Michael A. Holmes is the CEO of the Scenic Rivers Health Services in Minnesota. The organization began Community Health Center operations in 1979 with a single site and two physicians and two dentists. Scenic Rivers now operates six medical clinics and four dental clinics in an 8,000 square mile service area with a staff of over 30 practitioners and 120 employees. Scenic Rivers currently has over 13,000 users and 50,000 patient visits each year.

In 2001 Scenic Rivers became an charter member Breakwater Health Network, an HCCN serving areas in Minnesota, North Dakota and Illinois. The Network is now participating in Medicaid Accountable Care Organization and tele-health demonstration projects.

In 2019, Holmes was elected Chair-Elect of NACHC, after serving five years as Treasurer. He was also the Parliamentarian from 2007-2009. He has chaired NACHC’s Health Policy and Finance Committees, and currently serves on the Nominating, Rules and Rural Health Committees. He has held leadership positions with the Minnesota Association of Community Health Centers and the Northern Minnesota Network.

Holmes holds a Bachelor of Arts degree from Ambassador College.
SRHS: Covid 19 Impact

Dental Patients

Week Ending

Actual
Average
@ 25% of Ave
@ 50% of Ave
David Fields, CPA, CMA, CFM
Partner, BKD

As a part of the BKD CHC center of excellence, David serves as a key team resource on audit, grants management and financial operational issues and cost report preparation services for health centers. His health center audit experience has made him a firmwide resource on single audit issues and their application to health care.

He has worked with the BKD team to develop the CHC CFO Boot Camp series that has been taught across the country. David also has assisted management teams and boards of directors by interpreting complex accounting and grant issues.

He is a member of the American Institute of CPAs, Missouri Society of CPAs and Institute of Management Accountants, Inc. He is a Certified Management Accountant® (CMA®) and a Certified Financial Manager (CFM).

David is a 1999 summa cum laude graduate of Southwest Baptist University, Bolivar, Missouri, with a B.S. degree in accounting.
Justin Kensinger, CPA
Partner, BKD

As a member of BKD National Health Care Group, Justin serves as one of the leaders of our community health center practice, which serves approximately 275 community health center clients. He manages audit and cost report preparation services and provides consulting services on financial, operational and federal grant management issues to community health centers. Justin has more than 15 years of experience and is knowledgeable of Uniform Guidance and federal grant reporting requirements for community health centers.

He is a speaker on community health center topics for state primary care associations and provides financial management training to community health center management teams and boards of directors.

Justin is a member of the American Institute of CPAs and Missouri Society of CPAs.

He is a 2003 summa cum laude graduate of Missouri Southern State University, Joplin, with B.S. degrees in accounting and management, and a 2005 graduate of Missouri State University, Springfield, with an M.Acc. degree.
Provider Relief Funds
Provider Relief Funds

- Overview of Funding
- What Can I Use it For?
- What are Lost Revenues?
- Accounting for Funding
- Impact to Single Audit
- Reporting Requirements
Provider Relief Funds

- Provider Relief Fund Website includes a lot of detailed information including:
  - Lists of providers that have received payment and attested to the terms and conditions
  - Detailed eligibility criteria
  - Formulas utilized to determine allocations
  - FAQ’s
  - Reporting requirements
## General Distributions

<table>
<thead>
<tr>
<th>General Allocations</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Medicare Providers</td>
<td>$50 Billion</td>
</tr>
<tr>
<td>Phase 2: Medicaid, CHIP and Dental Providers</td>
<td>$15 Billion</td>
</tr>
</tbody>
</table>
# Targeted Distributions

<table>
<thead>
<tr>
<th>Targeted Allocation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19 High-Impact Distribution</td>
<td>$20 Billion</td>
</tr>
<tr>
<td>Rural Distribution</td>
<td>$11 Billion</td>
</tr>
<tr>
<td>Allocation for Skilled Nursing Facilities (SNFs)</td>
<td>$4.9 Billion</td>
</tr>
<tr>
<td>Allocation for Tribal Hospitals, Clinics, and Urban Health Centers</td>
<td>$500 Million</td>
</tr>
<tr>
<td>Allocation for Safety Net Hospitals</td>
<td>13 Billion</td>
</tr>
</tbody>
</table>
Recent Announcements

Second Chance for Medicare Providers
• Certain Medicare providers who experienced challenges will have a second opportunity to apply for funding from the General Distribution (Phase 1) starting the week of August 10.
• New deadline of August 28, 2020 to complete an application to be considered for the balance of additional funding up to 2 percent of annual patient revenues

General Distribution (Phase 2), Medicaid, CHIP and Dental Providers
• Primary eligibility funding from the must have:
  • Received no payment from the Phase 1 $50B general distribution
  • Billed Medicaid / CHIP programs or Medicaid managed care plans for health-related services between Jan.1, 2018-Dec.31, 2019; or billed a health insurance company for oral healthcare-related services as a dental service provider; or be a licensed dental service provider who does not accept insurance and has billed patients for oral healthcare-related services
What Expenses or Lost Revenues are Eligible for Reimbursement?

• The term “healthcare related expenses attributable to coronavirus” is a broad term that may cover a range of items and services purchased to prevent, prepare for, and respond to coronavirus.

• Providers can use Provider Relief Fund payments to cover any cost that the lost revenue otherwise would have covered, so long as that cost prevent, prepare for, and respond to coronavirus.

• Lost revenues may include:
  • Fewer OP visits
  • Cancellations of services
  • Increased uncompensated care

• Subject to federal salary limitation ($197,300)

• HHS expects that providers will fully expend their payments by July 31, 2021.
Expense Examples included in FAQ

- Supplies used to provide healthcare services for possible or actual COVID-19 patients
- Workforce training
- Building or constructing temporary structures to expand capacity for COVID-19 patient care or to provide healthcare services to non-COVID-19 patients in a separate area from where COVID-19 patients are being treated
- Equipment used to provide healthcare services for possible or actual COVID-19 patients
- Reporting COVID-19 test results to federal, state or local governments
- Acquiring additional resources, including facilities, equipment, supplies, healthcare practices, staffing & technology to expand or preserve care delivery
Expense Examples included in FAQ

- Employee or contractor payroll
- Employee health insurance
- Rent or mortgage payments
- Equipment lease payments
- Electronic health record licensing fees
Accounting for the Provider Relief Fund Payments

- Conditional contribution in accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08)

- Conditional barriers
  - Funds are subject to return if the terms and conditions are not complied
  - Funds should only be recognized in income when the conditions have been met, i.e., when qualifying expenses have been incurred and/or revenues have been lost

- Even if amounts are considered obligated based on lost revenues, it may still be important to be able to document the expenses that were incurred and paid for with these funds (see Single Audit discussion)

- Shouldn’t have revenue recognized prior to receiving the funding
Accounting for the Provider Relief Fund Payments

Presentation:
- Within operating income if utilized for operating expenses
- Below the operating indicator for amounts are utilized to purchase capitalized property and equipment

Additional Disclosures:
- For any funds awarded but not yet recognized in income at year-end, the remaining amount should be disclosed as a conditional contribution in the financial statement disclosures
Impact to Single Audit

• Provider Relief Funds are subject to Single Audit requirements

• Must be reported on your Schedule of Federal Awards (SEFA)
  • CFDA 93.498 Provider Relief Fund General and Targeted Distribution payments
  • CFDA 93.461 Uninsured Testing and Treatment reimbursement payments

• Could be a major federal program
  • Type A threshold is $750,000

• No specific guidance on audit testing of these programs has not been communicated by HRSA yet
Reporting Requirements

• Detailed reporting instructions will be available through the HRSA website by August 17, 2020

• Reporting becomes available on October 1, 2020

• Initial Report due February 15, 2021
  • Expenditures through the period ending December 31, 2020
  • If all funds have been expended in full prior to December 31, 2020 may submit a single final report

• Second and final report due by July 31, 2021
Future Changes?

- New COVID-19 Relief Bill?
  - Additional funding of Provider Relief Funds?
  - Direct CHC funding of $7.6 Billion?

- Changes to Tele-Health?

- Will the Reporting Requirements change if additional Provider Relief Funds distributed?
Questions?

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Partner, FTLF

Michael Glomb is a partner at FTLF in the Federal Grants and Health Law groups, and has over three decades of experience advising community-based organizations on a broad range of legal matters.

Michael specifically offers guidance to Federally Qualified Health Centers, other federal grantees, and several professional and trade associations on the 340B drug discount program, tax exemption, grants law, and fraud matters.
Disclaimer

These materials have been prepared by the attorneys of Feldesman Tucker Leifer Fidell LLP. The opinions expressed in these materials are solely their views and not necessarily the views of any other individual, entity or organization.

The materials are being issued with the understanding that the authors are not engaged in rendering legal or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.
Background

- On June 5, 2020, the Paycheck Protection Program Flexibility Act, was signed into law, Pub. L. 116-142 (Jun. 5, 2020).

- Expands the period during which PPP loan funds may be used for payroll and non-payroll costs from June 30, 2020 to December 31, 2020.

- Expands, at the election of the borrower, the “covered period” during which payroll and nonpayroll costs eligible for forgiveness may be incurred or paid. Borrowers whose loans were funded before June 5, 2020 may choose to retain the original 8-week (56-day) covered period or may choose to use a 24-week covered period (but in no case extending beyond December 31, 2020).

- Reduces the “75 percent payroll costs” threshold set by an SBA rule to a “60 percent payroll costs” threshold.
Background

- Extends the deadline from June 30, 2020 to December 31, 2020 for employers to return FTEs and salary/wage amounts to their pre-COVID-19 levels to avoid reductions of their loan forgiveness.

- Creates a new safe harbor for FTE reductions that permits employers to avoid penalties on loan forgiveness amounts if they are able to document that their business has not returned to pre-February 15, 2020 levels due to compliance with certain HHS, CDC, and OSHA guidance.

- Extends the deferral period on loan principal and interest repayment to the date a borrower files its Loan Forgiveness Application, provided that the borrower files for forgiveness no later than 10 months after the end of the “covered period” during which the borrow could have incurred or paid costs eligible for forgiveness.
Background

- Requires, for loans made after the enactment of the PPP Flexibility Act, that the SBA permit borrowers to elect 5-year terms for repayment of PPP loan amounts that are not forgiven and authorizes modifications of existing loans where borrowers and lenders may so agree. SBA had originally stated by rule that such repayment periods would be only 2 years.

- Permits borrowers to defer their share of FICA taxes to December 31 in accordance with § 2302 of the CARES Act regardless of whether they obtain PPP loan forgiveness (removing a prior limitation from the CARES Act to the contrary).

- Requires borrowers to pay principal and interest on their loans if they have not applied for forgiveness within 10 months of the end of their covered period.
Payroll Costs

- For purposes of loan forgiveness, payroll costs are considered paid on the day that paychecks are distributed or the borrower originates an ACH credit transaction.

- For purposes of loan forgiveness, payroll costs are considered incurred on the date the employee’s pay is earned.
Non-Payroll Costs

- Covered mortgage obligations: payments of interest (not including any prepayment or payment of principal) on any business mortgage obligation on real or personal property incurred before February 15, 2020;
- Covered rent obligations: business rent or lease payments pursuant to lease agreements for real or personal property in force before February 15, 2020; and
- Covered utility payments: business payments for a service for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020.
Minimum Percentage Payroll Costs

• Original SBA Regulatory Rule:
  • 75 percent of total claimed loan forgiveness amount must be comprised of payroll costs.

• PPP Flexibility Act:
  • 60 percent of PPP funds must be expended on payroll costs.
  • Statute reads as though failure to hit 60 percent renders borrower entirely ineligible for loan forgiveness.
  • Monday (June 8): Treasury and SBA, via a Joint Press Release, clarified that regulations and a new Loan Forgiveness Application are forthcoming which will clarify this statutory provision will operate like the original 75 percent rule – *i.e.*, proportional impact only.
The Loan “Covered Period”

- **Original Covered Period**: the 8-week (56-day) period beginning on the day the loan was disbursed.

- **PPP Flexibility Act Covered Period**: the 24-week period beginning on the day the loan was disbursed and ending *no later than* December 31, 2020.

- **For Loans Made Before June 5, 2020**: a borrower may still elect to use the 8-week (56-day) period beginning on the day the loan was disbursed.

- **Alternative Payroll Covered Period**: borrowers with a biweekly or more frequent payroll schedule may elect to use the period that begins on the first day of borrower’s first pay period following the loan disbursement.
The Loan “Covered Period”

Covered Period

vs.

Alternative Payroll Covered Period

• Borrowers who elect to use the “Alternative Payroll Covered Period” must apply the “Alternative Payroll Covered Period” consistently, except

• When required to apply the 8-week or 24-week covered period.
Costs Included in “Covered Period”

- In order to be forgiven, costs must be “tied” to the “covered period” selected.

- SBA final rule states that costs must be paid or incurred in the covered period (85 Fed. Reg. 33,004 (June 1, 2020)):
  - Clarifies statutory language requiring costs to be incurred and paid in the covered period.
  - Underlying obligation (e.g. contract) for non-payroll costs must be in effect as of February 15, 2020.
  - Portion of costs incurred during covered period e.g. utility bill, payroll, may be included when paid after the covered period if paid at the next regular billing/payroll date.
Loan Forgiveness Reductions

- **FTE Reduction:** The amount of the loan forgiven will be reduced if a borrower reduces its workforce (average weekly FTEs) during the Covered Period or Alternative Payroll Covered Period from the average weekly FTEs employed during a selected reference period:
  - February 15, 2019 to June 30, 2019; or

- **Salary/Wage Reduction:** The amount of the loan forgiven will be reduced if the borrower reduced the salary or wages of any employee (earning less than $100,000 annualized) by more than 25% during the Covered or Alternative Payroll Covered Periods compared to the period of January 1, 2020 through March 31, 2020.
FTE Reduction Safe Harbor

• **Under the PPP Flexibility Act:**
  Borrowers will not have the amount of their loan that can be forgiven reduced on account of a reduction in FTE employees if both of the following conditions are met:

  • the borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and

  • the Borrower restores its FTE employee levels by **December 31, 2020** to the FTE employee levels in the borrower’s pay period that included February 15, 2020.
    • Applies to FTEs, not to individual employees.
    • Prior deadline for restoring FTEs was June 30, 2020.
Salary/Wage Reduction
Safe Harbor

• **Under the PPP Flexibility Act:**
  If a borrower restores an employee’s average annual salary or hourly wage by **December 31, 2020** to a level that is equal to or greater than the employee’s annual salary or hourly wage as of February 15, 2020, the loan amount forgiven will not be reduced for that particular employee.

• The prior deadline for restoring salary/wages was June 30, 2020.
FTE Reduction Exceptions

According to the SBA, FTE reductions resulting from any of the following circumstances will not impact loan forgiveness:

- Employees who during the Covered Period or Alternative Payroll Covered Period:
  - Rejected a good-faith written offer to return to work for same salary or hours, if
  - Offer for same salary/wages or hours prior to separation form employment or reduction in hours;
  - Documentation of offer and rejection
  - Reported to the state unemployment insurance agency
- Were fired for cause, voluntarily resigned; or
- Voluntarily requested and received a reduction in work hours.
- Be sure to document
FTE Reduction Exceptions

- The PPP Flexibility Act added two additional exceptions where FTE reduction will not impact loan forgiveness:
  - The borrower has documented its inability to rehire individuals who were employees on February 15, 2020 and its inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
  - The borrower has documented its inability to return to the same level of its business activity as existed before February 15, 2020 due to compliance with requirements established or guidance issued by HHS, CDC, or OSHA between March 1, 2020 and December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.
The “CDC/OSHA Compliance Exception

Key Concept:

- . . . due to compliance with requirements established or guidance issued by [HHS, CDC, or OSHA] between March 1, 2020 and December 31, 2020, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

Resources:

- OSHA:
  ¶ [https://www.osha.gov/SLTC/covid-19/]
- CDC:
FTE and Salary/Wage Reduction Overlap

- According to the SBA, where an employee’s salary/wages are reduced on account of a reduction in work hours resulting in a reduction in FTE count (e.g. an employee’s hours are cut by 50% resulting in 50% cut in salary) only the reduction in FTE will be considered for forgiveness reduction purposes, provided that:

  - The salary/wage reduction is entirely due to the reduction in hours worked; and
  - The salary/wage rate remains the same.
Resources

V Small Business Administration:

V Department of the Treasury:
§ https://home.treasury.gov/policy-issues/cares

V Internal Revenue Service:
Contact Information

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<table>
<thead>
<tr>
<th><strong>COVID-19 Resources - nachc.org/coronavirus/</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Centers for Disease Control Coronavirus (COVID-19) resources page</strong> – includes strategies for optimizing the <strong>supply of PPE</strong></td>
</tr>
<tr>
<td><strong>Health Resources and Services Administration (HRSA) Health Center Program COVID-19 Frequently Asked Questions (FAQ)</strong> – includes Federal Torts Claim Act (FTCA) updates</td>
</tr>
<tr>
<td><strong>Centers for Medicare and Medicaid Services (CMS) FAQs</strong> – includes information on diagnostic lab services and hospital services</td>
</tr>
<tr>
<td><strong>NACHC’s Coronavirus webpage</strong> – information, event postings, and resources for health centers; NACHC also manages the resources below</td>
</tr>
</tbody>
</table>
| **NACHC’s Elevate learning forum** – evidence-based practices, tools and protocols for the health center response to COVID-19  
PCAs, HCCNs, and NCAs sign up @ [bit.ly/2020ElevatePCA-HCCN-NCA](https://bit.ly/2020ElevatePCA-HCCN-NCA) |
| **Health Center Resource Clearinghouse Priority Page COVID-19** – training events and tailored materials for serving special populations [healthcenterinfo.org](http://healthcenterinfo.org) |
| **Consolidates information from many sources in an easily-searchable format; enables health centers, PCAs, and HCCNs to share info and questions**  
*To join, contact Susan Hansen at [shansen@nachc.org](mailto:shansen@nachc.org)* |
Questions?

Email us at Preparedness@NACHC.org and we’ll get them answered!