CARES Act Webinar

Does Your Practice Qualify for a CARES Act Small Business Loan?

And a Few Other Important Things You Should Know

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CARES Act

- Congress passed the CARES Act (H.R. 748) & President signed it into law
  - Coronavirus Aid, Relief, and Economic Security Act
- Largest economic bill in U.S. history
- Roughly $2 trillion bill providing relief to individuals, businesses, and states.
- 3rd bill (so far) from Congress
  - 4th bill in the works (hopefully!)
CARES ACT Overview

How The $2 Trillion Breaks Down
The CARES Act provides relief to several groups impacted by the coronavirus pandemic.

- Individuals: $560 billion (estimated)
- Public health: $153.5 billion
- State & local governments: $511 billion
- Big corporations: $600 billion
- Small businesses: $377 billion
- Education/other: $43.7 billion (estimated)
- Safety net: $26 billion

Source: Estimates for third relief bill based on bill text. Contact [numbers removed].
Credit: Audra Carliner/NPR

H.R. 748 CARES Act:
Small Business Support for COVID-19

The following summary prepared by the Community Oncology Alliance (COA) is provided to community oncology practices that may be eligible, in some respects, for small business support under the CARES stimulus bill.

Section 1102: Paycheck Protection Program
- Overview:
  - This legislation calls for $141 billion for the Small Business Administration (SBA) to guarantee loans to small businesses.
  - The loan money will be distributed using the existing framework of the Small Business Administration’s [PPP] program. This program is a partnership between private financial lenders, which issue the loans, and the SBA, which guarantees them.
  - Potential recipients must apply for a loan in the covered period, which begins on February 15, 2020 and ends on June 30, 2020.
  - Loan amounts are calculated by taking 25% of the business’ average monthly payroll costs during the one-year period before the loan is made.
  - Eligible recipients can receive loans for as much as $10 million, and interest rates during the covered period would be capped at 1%.
- Loans should be used for the following expenses:
  - Payroll costs
  - Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave; and insurance premiums
  - Employee salaries, commissions, or similar compensations
  - Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
  - Rent (including rent under a lease agreement)
  - Utilities
  - Interest on any other debt obligations that were incurred before the covered period.
- Businesses cannot use the funds to compensate individual employees at an annual rate above $100,000 or to pay for emergency sick or family leave under the second coronavirus response package.

Eligibility:
- Businesses and non-profits eligible for a loan must have under 500 employees.
- Sole proprietors and independent contractors are eligible, given they provide proper 1099-MISC documentation.
- Hotels and food service chains with 500 or fewer employees per location are eligible.
- Businesses must be able to prove that they were operating with salaried employees or paid contractors as of February 15, 2020.
- The SBA would have to assume that eligible loan applicants that were in operation as of February 15, 2020 were adversely affected by COVID-19 and require lenders to let them defer payments for six months to a year.
Relief Fund Payment

- First $30 billion of $100 billion allocated to providers
- Direct deposited last week in most practices’ accounts
  - Mailing checks if no relationship with UHC Optum
- “The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.”
Paycheck Protection Program (Sec. 1102)

- Provides the Small Business Administration (SBA) with $349 billion to guarantee loans
  - And a medical practice is a small business
- Private lenders issue the loans; the SBA guarantees the loans under Section 7(a)
  - Unlike “normal” SBA disaster loans; waives personal guaranty & requirement can’t get a loan elsewhere
  - Presumption of negative impact from COVID-19
- Apply now until June 30, 2020
  - But fund is out of money as of last night; banks apparently not taking loan applications
- Can receive a loan for as much as $10 million
  - Interest rate capped at 4%
  - Payment deferred no less than 6 months and no more than one year
  - However, the loan can be forgiven!!!
  - Payment term not to exceed 10 years for the portion not forgiven
- Loan amounts calculated by taking 250% of business average monthly payroll costs during the one-year period before the loan is made
  - Loan is lesser of this calculated amount or $10 million
  - Catch is cost for individuals making over $100,000 are capped at $100,000
Loans Used to Cover Typical Expenses

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- Rent (including rent under a lease agreement)
- Utilities
- Interest on any other debt obligations that were incurred before the covered period.
Loan Eligibility

• Businesses and non-profits must have under 500 employees
  – We are clarifying this (overall or per location?)
• Sole proprietors and independent contractors are eligible, given they provide proper 1099-MISC documentation
• Businesses must be able to prove that they were operating with salaried employees or paid contractors as of February 15, 2020
• SBA assumes that eligible loan applicants that were in operation as of February 15, 2020 were adversely affected by COVID-19 and require lenders to let them defer payments for six months to a year
Loan Forgiveness

• Recipients that retain workers or rehire ones that were laid off can be eligible for loan forgiveness

• Certain costs incurred during an 8-week period starting on the loan’s origination date are eligible for forgiveness
  – Costs include payroll, rent payment, mortgage obligations, and utilities

• Amount of loan forgiveness takes into account the number of workers retained or rehired

• In order to receive loan forgiveness, applicants must verify the previous six weeks of payroll and later verify that they have paid employees for eight weeks after receiving the loan

• Amount of loan forgiveness is the sum of relevant costs during the 8-week period after the loan date

• Canceled debt excluded from borrowers’ gross income for tax purposes
How to Apply

- **Borrowers apply through banks, credit unions, and other lenders**
  - The SBA is the guarantor

- **Approximately 1,800 private lenders are already approved to issue 7(a) loans**
  - Plans to issue new regulations that will make it possible for almost all FDIC-insured banks to make SBA loans

- **Go to your bank or lender and inquire about applying for a 7(a) small business loan for the purposes of COVID-19 relief**
  - If your lender doesn’t offer it, try another

- **Further grants will be given to states that enact short-time compensation programs**
  - Check your state’s small business agency for other potential programs.

- **Go to the SBA website for further details**
Important Notes

• Seems like details changing by the day!
  – Go to https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses to check for updates and to get forms

• Best approach is to check with a qualifying lender for specifics

• Be prepared to have documentation including how the loan will be used and IRS forms such as 941 & 944
Employee Retention Credits  (Sec. 2301)

- Not available for a business receiving an SBA loan
- Refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis
- The credit is based on qualified wages paid to the employee
  - Credit against applicable employment taxes for each calendar quarter in an amount equal to 50% of the qualified wages of each employee
- For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances
- For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shutdown order
- Credit is provided for the first $10,000 of compensation, including health benefits, paid to an eligible employee
  - Provided for wages paid or incurred from March 13, 2020 through December 31, 2020
Eligibility

• Credit is available to employers whose operations were fully or partially suspended, due to a COVID-19 related shutdown order, or gross receipts declined by more than 50% when compared to the same quarter in the prior year
• Employers that apply for an SBA loan not be eligible to receive the credit
• The credit wouldn’t apply to federal, state, or local government employers
**Payroll Tax Relief** *(Sec. 2302)*

- Allows employers (and self-employed individuals) to defer payment of their share of the Social Security tax they are responsible for paying to the federal government
  - Employers can delay paying payroll taxes for 2020, then pay 50% in 2021 and the other 50% in 2022

- **Eligibility:**
  - All employers who pay FICA taxes on behalf of their employees
  - The payroll-tax referral wouldn’t apply to employers with small business loan debt forgiven under the bill
Economic Injury Disaster Loans  (Existing Program)

- Provides $10 billion to expand SBA’s existing disaster loan program from January 31, 2020 through December 31, 2020.
- Economic Injury Disaster Loans applicable for those who need smaller loans
  - Offer up to $2 million in assistance and can provide economic support to small businesses to help overcome the temporary loss of revenue
- Loans may be used to pay fixed debts, payroll, accounts payable, and other bills that can’t be paid because of the disaster’s impact
- The interest rate is 3.75% for small businesses (2.75% for nonprofits)
- SBA offers long-term repayments, up to a maximum of 30 years.
  - Terms determined on a case-by-case basis, based upon each borrower’s ability to repay
- CARES Act authorizes SBA to advance as much as $10,000 to existing and newly eligible disaster loan recipients within 3 days of receiving their applications.
  - Advance funds used to pay sick leave to employees affected by COVID-19, retain employees, address interrupted supply chains, make rent or mortgage payments, and repay debt
  - Don’t have to repay the advance funds
Eligibility

- Businesses, non-profits, cooperatives, employee stock ownership plans, and tribal businesses with 500 or fewer employees
  - Sole proprietors and independent contractors are eligible for these loans
- In order to qualify, must prove substantial economic injury and unable to pay ordinary and necessary operating expenses
- Small business owners in all U.S. states and territories are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19)
  - Forms and materials that are needed when submitting an application:
    - Employee Identification Number
    - The date of establishment
    - Number of years under current management
    - Names and addresses of contacts for Loss Verification Inspection
    - Personal information including birth dates, Social Security numbers, phone numbers and ownership percentages for each of the business’ owners
    - Additional information will need to be provided if any of the business’ owners own more than a 50% stake in a different business
    - Personal financial statements will need to be completed for each owner
    - The value of cash, receivables, personal property
    - The amount of debts
    - The amount of liabilities that you are contingently liable for (i.e., what is the dollar value of loans that you guarantee)
Express Bridge Loans (Existing Program)

• Allows certain small businesses access to up to $25,000 with less paperwork
• Loans can provide economic support to small businesses to help overcome the temporary loss of revenue
  – Can be a term loan or used to bridge the gap while applying for a direct SBA Economic Injury Disaster Loan

• Eligibility
  – Small businesses who currently have a business relationship with an SBA Express Lender
  – Small businesses that have an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan
Accelerated & Advance Medicare Payments

• Expands CMS’ authority to accelerate and advance payments to Medicare providers under Parts A & B
• Must have billed Medicare for claims within past 180 days, not in bankruptcy, not under investigation, not delinquent for overpayments
• Provider has to request a specific amount
  – Most practices able to request up to 100% of Medicare payment for a 3-month period
• Each MAC will review and issue payments within 7 days
  – Repayment 120 days after payment
• Forms on each MAC website
Hold on Medicare Sequester Cut

- 2% Medicare sequester cut on drugs and services will be halted from May through December 2020
  - COA fought very hard to have this apply to practices, not just hospitals
- Need to make sure Medicare Advantage follows suit
  - Just like they put the sequester cut in place when it was applied to Medicare fee-for-service
Importance of Telehealth Expansion

- Practices are having more “virtual” visits with patients to monitor and prioritize treatments
- CMS has significantly expanded telehealth
  - Allows for audio only
  - Relaxes HIPAA
  - Billed at physician rate versus lower-reimbursed facility rate
Few Last Notes...

- COA has a COVID-19 webpage with lots of resources
  - Information on practice procedures, policies, and billing
  - Small business help
  - Webinar recordings
    - COVID-19 practice policies
    - Telehealth
- COA has a dedicated listserv on COVID-19
- Fighting to get prior authorizations stopped during the crisis
- Working with Congress on 4th stimulus bill
  - More individual, business, and provider relief
Virtual 2020 COA Conference

Community Oncology Conference
FOCUS ON THE FUTURE OF CANCER CARE
Thank You!

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