



1

Covid-19 Home Care & Hospice Town Hall Series

Assessing Accelerated Payments, SBA Loans and Other Available Financial Relief Options

April 8, 2020



The logo for HomeCare & Hospice, featuring a stylized American flag with stars and stripes above the text "HOMECARE & HOSPICE" in a serif font, with "National Association for Home Care & Hospice" in a smaller sans-serif font below it.

2

Today's Speakers



M. Aaron Little
Managing Director
BKD, LLP
mlittle@bkd.com



Mark Sharp
Partner
BKD, LLP
msharp@bkd.com



Brian Todd
Partner
BKD, LLP
btodd@bkd.com



HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

3

3

Agenda

- COVID-19 impacts on cash
- Accelerated/advance payments
- Small Business Administration (SBA)
 - Economic Injury Disaster Loans
 - Paycheck Protection Plan Loans
- Payroll tax credits
 - *Families First Coronavirus Response Act*
 - CARES Act
- Business planning considerations

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

4

4

COVID-19 Impacts on Cash

Decrease in Revenues & Cash Flow

- Decreases in visits due to refusal by patients or staff
- Increase in Medicare Low Utilization Payment Adjustments (LUPAs)
- Decrease in elective procedures
- Distracted referral sources
- Difficulty in getting required documentation for billing

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

5

5

COVID-19 Impacts on Cash

Increase in Costs

- Costs of personal protective equipment (PPE)
- Investments in telemonitoring
- Costs of crisis management efforts
- Investments in technology for remote workers
- General disruption of everyday operations

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

6

6

Access to Capital

Traditional Financing

Owner Contributions or Loans

COVID-19 Specific Options

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES 7

7

ACCELERATED/ADVANCE PAYMENTS

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES 8

8

Accelerated/Advance Payments

- Program expanded by CMS due to passage of the CARES Act
- Expansion of program only for duration of the public health emergency (PHE)
- Available to any eligible home health & hospice provider
- Requests must be submitted to Medicare Administrative Contractors (MACs)

Accelerated/Advance Payments

Eligibility

- Must have billed Medicare in last 180 days
- Must not be in bankruptcy
- Must not be under active medical review or program integrity investigation (excludes RCD)
- Must not have any outstanding delinquent Medicare overpayments

Accelerated/Advance Payments

- Amount**
 - Up to three months of Medicare payments
- Processing time**
 - MACs are to review & issue payments within seven calendar days

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES 11

11

Accelerated/Advance Payments

- Repayment**
 - Automatic recoupment by MAC begins 120 days after payment date by withholding claim payments
 - MACs will issue demand letters for any remaining amount due after day 210
 - Unpaid amount remaining after 30 days from issuance of demand letter subject to interest

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES 12

12

Accelerated/Advance Payments

- Resources
 - [CMS fact sheet](#)
 - [CGS request form](#)
 - [NGS request form](#)
 - [Palmetto GBA request form](#)

13

SBA – ECONOMIC INJURY DISASTER LOANS (EIDL)

14

EIDL

- Background of EIDL
 - Existing program of the SBA under Section 7(b) of Small Business Act
 - Available to eligible small businesses, small agricultural cooperatives, small aquacultural businesses & private nonprofit organizations
 - Eligibility: SBA has industry-specific sizing standards – NAICS Code
 - Substantial economic injury & within a federally declared disaster area
 - Working capital loans up to \$2,000,000, for up to 30 years
 - Fixed interest rate: 3.75% for businesses, 2.75% for nonprofits

EIDL

- EIDL: COVID-19 & CARES Act
 - All 50 states & U.S. territories are included
 - Eligible entity definition expanded – through December 31, 2020
 - Sole proprietors – even those without employees
 - Independent contractors
 - Eligible entities not greater than 500 employees (or SBA sizing standards)
 - Cooperatives, ESOPs, tribal small business concerns not greater than 500 employees

EIDL

- EIDL: COVID-19 & CARES Act
 - Other CARES Act changes – through December 31, 2020
 - Personal guaranties not required for loans up to \$200,000
 - Waives requirement applicants are unable to obtain credit elsewhere
 - Waives requirement applicants must have been in business for one year before disaster
 - Must have been in business January 31, 2020
 - For small dollar loans, SBA may approve applicants solely based on credit score without providing a tax return
 - Or use appropriate alternative methods to determine an applicant's ability to repay

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

17

17

EIDL

- EIDL: COVID-19 & CARES Act
 - Emergency grants – through December 31, 2020
 - Applicant may request an advance of up to \$10,000 from SBA
 - To be funded within three days after SBA received application
 - Applicant must self-certify they are an eligible business for EIDL
 - Not required to be paid back – even if not eventually approved for EIDL
 - This will reduce the amount of eligible loan forgiveness should the applicant also receive a Paycheck Protection Plan loan under the SBA's 7(a) program

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

18

18

EIDL

- EIDL: COVID-19 & CARES Act
 - Emergency grants – through December 31, 2020
 - Allowable uses include any normally eligible expenses for EIDL including
 - Providing sick leave unable to work due to direct effects of COVID-19
 - Maintaining payroll to retain employees during business disruptions or substantial slowdowns
 - Meeting increased costs to obtain materials unavailable from applicant's original source due to interrupted supply chains
 - Making rent or mortgage payments
 - Repaying obligations that cannot be met due to revenue losses

EIDL

- EIDL – practical considerations
 - Determine eligibility based on size standards
 - Self-certification required
 - Loan is directly through the SBA – consider applying online now
 - You do not have to accept the loan
 - Eligible for Paycheck Protection Program loan – just not for same use
 - Know your numbers
 - Gross revenues & COGS for the trailing 12 months before disaster
 - Lost rents (commercial & residential rental properties)
 - Compensation from other sources received due to COVID19, *e.g.*, insurance proceeds

SBA – PAYCHECK PROTECTION PROGRAM (PPP)

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

21

21

PPP

- Background of PPP
 - Temporary expansion of existing program under Section 7(a) of Small Business Act
 - Forgiveness eligibility
 - Definitions are critically important
 - Covered period for loan: February 15, 2020–June 30, 2020
 - Covered period for potential debt forgiveness: eight-week period from origination
 - Covered loan: PPP loan made during the covered period
 - Employee: full-time, part-time or other basis

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

22

22

PPP

- “Payroll costs” defined – includes
 - Employers
 - Salary, wage, commission or similar compensation
 - Payment of cash tips or equivalent
 - Payment of vacation, parental, family, medical or sick leave
 - Allowance for dismissal or separation
 - Payment required for the provision of group health care benefits including insurance premiums
 - Payment of any retirement benefit
 - Payment of state or local tax assessed on the compensation of employees
 - Sole proprietor, independent contractor
 - Sum of payments of any compensation to (or income of) a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment or similar compensation not more than \$100,000/annually (as prorated for the covered period)

PPP

- “Payroll costs” defined – excludes
 - Annual compensation of individual employee in excess of \$100,000 (prorated for covered period)
 - Treasury fact sheet: first \$100,000 allowed
 - Payroll taxes, railroad retirement tax, federal withholdings
 - Compensation of an employee with principal place of residence outside of U.S.
 - Qualified sick leave under Families First Act
 - Qualified family leave under Families First Act

PPP

- Eligibility
 - In addition to any small business concern, any business, nonprofit organization, veterans organization or tribal business concern if they employ not more than the greater of 500 employees or the SBA size standard by industry (loans start April 3, 2020)
 - Sole proprietors, 1099 contractors & eligible self-employed (starts April 10, 2020)
 - Documentation might be required to support
 - SBA-approved lending institution will inquire to confirm if
 - In business on February 15, 2020, &
 - Had employees with whom applicant paid salaries & payroll taxes or
 - Paid independent contractors as reported on 1099-MISC

PPP

- Eligibility – additional information
 - Less than 501 employees per location for
 - NAICS starting with “72,” *e.g.*, hospitality, restaurants, other
 - Waiver of affiliation rules (Section 121.103 of Title 13) will only apply to
 - Business concerns starting with NAICS of “72” of not more than 500 employees
 - Business concerns operating as a franchise assigned a franchise ID code by SBA
 - Business concerns that receive financial assistance from company licensed by under Section 301 of Small Business Investment Act
 - Affiliation rules (Section 121.103 of Title 13) do apply to
 - Nonprofit organizations & veterans organization. These apply in same manner as small business concerns

PPP

- Maximum loan amount
 - Lesser of \$10,000,000 or
 - Average total monthly payments of applicant for “payroll costs” incurred during one-year period before the date on which the loan is made* multiplied by 2.5
 - If not in business during February 15, 2019–June 30, 2019, then use average total monthly payments of applicant for “payroll costs” incurred during January 1, 2020–February 20, 2020 multiplied by 2.5
 - & the outstanding amount of an EIDL that was made during period starting on January 31, 2020, & ending on date covered loan is available

**Application Form Observation: “For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee”*

PPP

- Allowable uses of PPP loan
 - Payroll costs
 - Costs related to the continuation of group health benefits during periods of sick, medical, or family leave & insurance premiums
 - Employee salaries, commissions or similar compensations
 - Payments of interest on any mortgage debts (excludes – prepayment & principal)
 - Rent
 - Utilities
 - Interest on other debt obligations that were incurred before the covered period

PPP

- How to obtain a PPP loan
 - Applicants to make good faith certifications to SBA lender
 - Uncertainty of current economic conditions makes necessary the loan request to support operations
 - Does not have another application pending for PPP loan or previously received PPP loan
 - Acknowledging that funds will be used to retain workers/maintain payroll or make mortgage payments, lease payments & utility payments
 - *Application Form Observation: “I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges”*

PPP

- Other items to note
 - No application fee
 - Waive requirement that applicant be unable to obtain credit elsewhere
 - No personal guarantee nor collateral required
 - Payment deferral for at least six months, not greater than one year
 - Applicants are not prohibited from also obtaining an EIDL for a purpose other than PPP’s allowable uses (defined earlier)
 - Loan term of two years & rate of 0.5%

PPP

- Potential loan forgiveness feature
 - For PPP’s covered costs incurred & payments made during eight-week period starting on day of loan origination to only include
 - Payroll costs
 - Interest on covered mortgage obligations
 - Payments of covered rent obligation
 - Payments on covered utility payment
 - Forgiveness shall not exceed principal
 - Amounts forgiven shall be considered canceled indebtedness but not taxable

PPP

- Potential loan forgiveness feature
 - Limits on forgiveness: reduction based on reduced number of FTEs
 - Average full-time equivalents per month during the eight-week covered period after loan origination as compared to the average full-time equivalents per month during the February 15, 2019–June 30, 2019, period
 - Can elect to substitute the monthly average full-time equivalent count from the 2019 period to the January 1, 2020–February 29, 2020, period
 - Calculation of average number of employees
 - Average full-time equivalent = average FTE for each pay period falling in a month
 - “Full-time equivalent” not defined! – need regulations

PPP

- Potential loan forgiveness feature
 - Limits on forgiveness: reduction related to salary & wages
 - Loan forgiveness reduced by the amount of any reduction in total salary or wages of any employee* during the eight-week covered period that is more than 25% of the total salary or wages during the most recent full quarter before the eight-week covered period
 - *Excludes any employee who received, during any pay period in 2019, an annualized rate of pay of more than \$100,000
 - An eligible recipient with tipped workers (defined by FLSA) may receive forgiveness for additional wages for those employees

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

33

33

PPP

- Potential loan forgiveness
 - Exemption for re-hires
 - Reductions in workforce, salaries & wages that occur from February 15, 2020, to April 26, 2020 (30 days after signing into law) will be disregarded for purposes of reducing the forgiveness amount so long as the reductions are eliminated by June 30, 2020
 - Other exemptions coming?
 - SBA & Treasury may prescribe additional regulations granting de minimis exemptions from these requirements

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

34

34

PPP

- Correlation with other provisions in CARES
 - Acceptance & receipt of the PPP loan eliminates the applicant's eligibility to obtain employee retention credits as made available in a separate provision of the CARES Act
 - In addition, should any PPP indebtedness be forgiven, the delayed payments options for the employer's share of payroll taxes will not be available to the applicant

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

35

35

PPP

- PPP loan: general considerations for PPP
 - SBA has 30 days from enactment to issue guidance & regulations
 - SBA & approved lenders will need time
 - Forgiveness not automatic
 - Requires submission of appropriate documentation to lenders
 - Other
 - Work with an SBA approved lender
 - Be mindful of 500 EE & affiliate exceptions for NAICS 72
 - Be mindful of affiliate rules for all other eligible employers less than 500
 - Much clarity needed & regulation to come (hopefully soon)

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

36

36

PPP

- PPP loan: Treasury press release, info sheets, observations
 - SBA Administrator Carranza: *“We remain committed to supporting our nation’s more than 30 million small businesses and their employees”*
 - \$349,000,000,000/30,000,000 SMBs = \$11,633.33 average per applicant
 - “High subscription” disclaimer – 75/25% payroll versus nonpayroll costs
 - EE considerations with enhanced unemployment
 - Additional federal funds of \$600/week (States must opt in)
 - Do the analysis: EIDL + PPP versus EIDL + EE retention credit
 - Economic & administrative burdens

37

FAMILIES FIRST CORONAVIRUS RESPONSE ACT

38

Families First Coronavirus Response Act

- Effective April 1, 2020
- Employer paid leave provisions (less than 500 employees)
 - Emergency paid sick leave
 - Emergency family medical leave
- Refundable employer payroll tax credit
 - Form 7200, *Advance Payment of Employer Credits Due to COVID-19*

CARES ACT – EMPLOYEE RETENTION CREDIT

CARES Act/Employee Retention Credit

- Credit against applicable employment taxes
 - 50% of qualified wages up to \$10,000 (\$5,000 maximum credit per employee)
- Effective dates – wages paid between March 12, 2020–January 1, 2021
- Employer eligibility (includes tax-exempt organizations)
 - Carrying on a trade or business during calendar year 2020 &
 - The operation of that trade or business is either
 - Fully or partially suspended due to orders from a governmental authority limiting commerce, travel or group meetings due to COVID-19; or
 - Receiving gross receipts, for at least one calendar quarter, that are less than 50% of the gross receipts during the same calendar quarter(s) in the prior year (applicable until quarter exceeds 80% of same calendar quarter in prior year)

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

41

41

CARES Act/Employee Retention Credit

- Ineligible employers
 - Employer's receiving Small Business Interruption loan under the CARES Act (PPP loan)
 - Federal, state & local government employers
- Qualified wages
 - Based on average number of full-time employees (aggregation rules under IRC §52 apply)
 - More than 100 full-time employees – only eligible if employee is unable to provide services due to one of identified circumstances
 - 100 or less full-time employees – eligible for credit regardless of whether employee is able to provide services (must meet one of previously identified circumstances)
 - Includes
 - Wages as defined by IRC §3121(a) & compensation as defined by IRC §3231(e)
 - Qualified health plan expenses (IRC §5000(b)(1))

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

42

42

CARES Act/Employee Retention Credit

- Qualified wage limitations
 - May not exceed \$10,000 per employee
 - May not exceed amounts that would have been paid for similar period
 - Denial of double-counting of wages
 - Work Opportunity Tax Credit (IRC §51)
 - Employer Credit for Paid Family and Medical Leave (IRC §45S)
- Potential IRS deposit penalty relief
- Additional regulations & guidance expected
 - Form 7200, *Advance Payment of Employer Credits Due to COVID-19*
 - <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

43

43

CARES Act/Employee Retention Credit

- Example
 - ABC Company is an employer with 75 average full-time employees. ABC Company is operating in 2020 & has seen their operations partially suspended due to an order from a governmental authority. ABC Company pays their employee, Mary, \$7,500 of wages for services provided & also pays \$1,500 of qualified health plan expenses on Mary's behalf between April 1, 2020 & June 30, 2020

Calculation of Employee Retention Credit

Second quarter wages paid 4/1/2020–6/30/2020	\$ 7,500.00
Employer paid qualified health plan expenses	1,500.00
Total second quarter qualified wages	9,000.00
Percentage of qualified wages	50.00%
Second quarter employee retention credit	\$ 4,500.00

Maximum credit of \$500.00 will apply to third & fourth quarters of 2020

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

44

44

CARES ACT – DELAY OF PAYMENT OF EMPLOYER PAYROLL TAXES

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

45

45

CARES Act/Delay of Payment of Employer Payroll Taxes

- Delayed remittance of applicable employment taxes
 - Deferral period: enactment – January 1, 2021
 - 50% of deferral period liability due by December 31, 2021
 - 50% of deferral period liability due by December 31, 2022
- Applicable employment taxes
 - Employer portion of Social Security tax (6.20%)
 - Includes self-employed individuals
- Clients of certified professional employer organizations (PEO) may be eligible
- Ineligible if indebtedness forgiven under CARES Act provision
- Additional regulations & guidance expected

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

46

46

BUSINESS PLANNING CONSIDERATIONS

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

47

47

Business Planning Considerations

- What should you consider doing immediately?
 - Determine the cash burn rate to keep business open & break even
 - Identify variable & fixed-cost components & eliminate all nonessential expenditures
 - Realign organization & cost structure to support realistic sales volumes in the foreseeable future
 - Get up to speed on employee rights that are part of the *Families First Coronavirus Response Act*
 - Talk to your bank!

HOME CARE & HOSPICE COVID-19 TOWN HALL SERIES

48

48

Business Planning Considerations

- What should you consider when doing cash flow planning?
 - Construct a 13-week cash flow projection to identify critical liquidity gaps
 - Develop a customer plan to protect & serve customers to reduce collection risks
 - Formulate a vendor payment plan to protect the supply chain & minimize cash flows
 - Create an employee plan to protect critical employee resources
 - Manage inventory to identify potential opportunities in every dollar of your balance sheet

Business Planning Considerations

- What sources do you need to construct a cash flow projection tool?
 - Collection of open accounts receivable
 - Payment of open accounts payable
 - Collection of future customer invoicing on firm & forecasted revenues
 - Payment of future vendor invoices on firm & forecasted purchase orders
 - Payment of payroll, payroll taxes & fringe benefits
 - Payment of other recurring & nonrecurring operating expenses
 - Payment of debt service

Business Planning Considerations

- What assumptions do you need to consider with your source data?
 - Cash flow plan, summarizing estimated days sales outstanding by payer, reassessing credit limits & collection sensitivity
 - Vendor payment plan defining critical versus noncritical vendors, alternate vendors & sensitivity to days payables outstanding assumptions
 - Employee model, measure costs per FTE, including sensitivity to changes in headcount
 - Manage inventory to identify potential opportunities in every dollar of your balance sheet
 - Forecasted income statement, monthly balance sheet & net working capital requirements

Business Planning Considerations

- What are your options for additional cash infusion?
- Talk to your lender
- Consider applying for an EIDL directly from SBA
- Analyze & consider applying for payroll protection loans through an SBA-approved lender versus employee retention credit
- **Your efforts should be concentrated around controlling the cash burn rate to bridge the short-term storm (< 3 months) to the long-term future steady state**

QUESTIONS

53

Thank You!



M. Aaron Little
Managing Director
BKD, LLP
mlittle@bkd.com



Mark Sharp
Partner
BKD, LLP
msharp@bkd.com



Brian Todd
Partner
BKD, LLP
btodd@bkd.com



54