



Cashflow Options for Health Centers with more than 500 employees

During the Covid-19 Crisis

Current as of 4/5/2020

Important: *This is an evolving document, and will be updated as new information becomes available. The most up-to-date version of this document will always be available on the NACHC COVID webpage and Noddlepod.*

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Introduction

As health centers play a crucial role in responding to the COVID-19 pandemic, many are encountering severe and unprecedented drops in short-term revenue, due to sharp decreases in routine visits as patients shelter in place, and the need to reduce or stop some services in order to divert PPE and other resource to COVID-19 efforts. As health centers' cash reserves drop, many now face difficult decisions on how to meet payroll or other financial obligations.

While Congress has taken action to address the financial impact of COVID-19, some of the most generous programs – e.g., the Paycheck Protection Program and Emergency Paid Leave – are not available to employers with 500 or more employees. This has left dozens of the health centers with more than 500 staff – who jointly care for more than a quarter of the nation's health center patients – under particular strain.

This document summarizes opportunities that are available to health centers with more than 500 employees. It begins with a chart summarizing all the programs, and is followed by a full-page overview of each program.

Please note that, as indicated on the cover, this will be an evolving document. For example, it will be updated as more information becomes available on current programs (e.g., the mid-sized business loan program created under the CARES Act.) Also, if you are aware of other programs that are not included in this document, please email cmeiman@nachc.org so that we can add them.

The most up-to-date version of this document will always be available on the NACHC COVID webpage and Noddlepod. (If you or a colleague would like access to Noddlepod, please email Susan Hansen at shansen@nachc.org.)

Cashflow Options for Health Centers with over 500 Employees during the Covid-19 Crisis

	What is it?	Who is eligible?	What are the terms?	What to do?
Tax credits for employee retention	Refundable credits of up to \$5,000 per quarter for each employee who is not actively “providing services” due to COVID-19.	All employers who can demonstrate financial harm	Employee must be unable to “provide services” due to COVID-19. Unclear if reassigned employees qualify.	Either deduct credit from tax deposits or request an IRS advance using Form 7200
Deferral of employer share of FICA	Employers can defer paying the employer share of FICA taxes from now through 12/31/20.	All employers	All deferred FICA taxes must ultimately be repaid – half by 12/31/21 and half by 12/31/22.	See IRS Notice 2020-22
Economic Injury Disaster Loans	Small Business Administration (SBA) loan for up to \$2 million, including a \$10,000 grant up front. May be used to pay fixed debts, payroll, accounts payable and other bills that can’t be paid because of the disaster’s impact.	All non-profits, regardless of size.	Interest rate of 2.75%, payable over up to 30 years. Can defer initial payments for up to a year.	Apply directly at the SBA. Applicants may apply online or call 1-800-659-2955.
Mid-Sized Business Emergency Loans	The CARES Act provided \$454+ billion for low-interest loans to mid-sized businesses who retain staffing levels close to pre-COVID-19 levels.	Employers with 500 to 10,000 employees	Maximum 2% interest; minimum 6-month deferral. Many details have yet to be announced.	Nothing yet. The program is not yet operational.
Expanded Unemployment Insurance for Fully and Partly Laid-off Staff	Expanded benefits for laid-off staff, including first week paid, additional \$600 per week, and 13 additional weeks if needed. States encouraged to create/expand programs to staff who have been partly or fully furloughed	All employees and contractors. May be additional state flexibilities.	Details vary significantly by state. CHCs that self-insure for UI will be reimbursed for half their costs; CHCs that pay state UI taxes <u>may not</u> have their taxes increase due to employees receiving COVID-19-related UI.	Contact your state unemployment office .
Accelerated Medicare Payments	FQHCs can receive up to 3 months’ worth of Medicare payments in advance, within 7 days of applying.	All health centers	Any excess must be repaid within 4 to 7 months.	Contact your MAC
Public Health & Social Services Emergency Fund	\$100 billion fund created in CARES Act to assist health care providers with expenses & lost revenues due to COVID-19	All health care providers, including hospitals	As of 4/5, no information yet available. NACHC has requested that CHCs with over 500 staff receive additional funds.	NACHC will issue alert when funds available.

Tax Credits for Employee Retention

Section 2301 of the CARES Act provides a refundable payroll tax credit for certain wages paid to employees who are not able to “provide services” due to COVID-19. This program, along with ability to defer certain employment taxes (as established under Section 2302 of CARES), are designed to encourage employers to continue paying wages to employees even when they are unable to perform their regular duties.

Who is eligible?

All employers are eligible -- regardless of size – provided that:

- they did not receive a Paycheck Protection Program Loan or Small Business Interruption Loan, and
- during the quarter for which they are seeking the credit, either:
 - Their operations were fully or partially suspended as a result of orders from a governmental authority limiting commerce, travel, or group meetings due to COVID-19, or
 - Their gross receipts for the quarter were less than 50% of the gross receipts for the same calendar quarter in the prior year. The employer will remain eligible for the credit until the quarter when their gross receipts equal 80% of the gross receipts for the same calendar quarter in 2019.

What is the net value of the credit?

An employer can receive a maximum credit of \$5,000 for each eligible employee during each qualifying quarter. The credit is equal to 50% of “qualified wages” paid to employees during a quarter, capped at \$10,000 of “qualified wages.” The credit is available for wages paid from March 13 to December 31, 2020.

What are “qualifying wages”?

For employers with over 100 full-time employees, the tax credit is available only for wages paid to employees who are **not providing services** due to the suspension of operations or decline in gross receipts. “Not providing services” has not yet been defined, so it is unclear if staff who have been reassigned to different duties would qualify. “Qualified wages” include health plan expenses, but not wages for which an employer is taking another tax credit (e.g., tax credit for sick or family leave under FFCRA.)

How to claim the credit?

Per IR 2020-62 (dated March 31, 2020), employers can immediately recoup their refundable tax credits by reducing their total federal tax deposit amount from **all** employees (not just from those who are receiving wages that qualify for the credit) by the amount of eligible credit. Specifically, employers can deduct the amount of tax credit from: (1) federal income taxes withheld from all employees’ pay; (2) the employees’ share of Social Security and Medicare taxes; and (3) the employer’s share of Social Security and Medicare taxes. These credits will ultimately be reconciled against the total tax liabilities when employers file their quarterly Form 941 or other employment tax returns.

Is there a faster way to get the credit?

Perhaps. Employers can request an advance on these credits by using the new [Form 7200](#), Advance Payment of Employer Credits Due to COVID-19. The IRS is supposed to process the advances within two weeks of receiving a Form 7200. However, the IRS’ system does not yet appear to be fully operational, and it is unclear when it will be up and running. To maximize cash on hand, health centers should consider whether they might be better off offsetting their accumulated tax credits from their upcoming payroll deposits, or requesting an advance on [Form 7200](#).

Deferral of Employer Share of Social Security Taxes

Section 2302 of the CARES Act allows employers to defer payment of the employer portion of Social Security taxes that would otherwise be due from March 27 through December 31, 2020, without penalty or interest charges. Employers must pay 50% of the deferred amount by December 31, 2021, and the remainder by December 31, 2022.

Who is eligible?

All employers are eligible for this deferral, for all of their employees. (However, employers who also receive a Paycheck Protection Program loan may lose the ability to defer these payments if their PPP loan is forgiven.)

Is this a tax credit, or just an extension of the due date? Simply an interest-free and penalty-free extension of the due date. All taxes owed must eventually be paid.

Which taxes can we defer?

You can defer the employer portion of Social Security taxes that would otherwise be due from March 27 through December 31, 2020, without incurring penalties or interest charges.

How long is the due date extended for?

Health centers must pay:

- 50% of the deferred amount by December 31, 2021, and
- the remaining 50% by December 31, 2022.

How does this provision interact with the \$5,000 tax credit for employees who cannot “provide services”?

A lot of these details are not yet clear. At the moment, it appears that an employer could defer its deposit of payroll taxes that are otherwise due from March 13 to December 31, 2020 (using this provision) and offset against those un-remitted payroll taxes the employee retention credit (under Section 2301 of the CARES Act.) That would reduce the amount that the employer would eventually need to remit (i.e., 50% of the net amount would be owed on December 31, 2021, and the remainder would be owed on December 31, 2022).

Where can we get more information? See [IRS Notice 2020-22](#), dated March 31, 2020.

Economic Injury Disaster Loans (EIDLs)

The [Coronavirus Preparedness and Response Supplemental Appropriations Act](#), signed into law on March 6, 2020 makes low-interest loans and emergency grants available immediately and directly through the [Small Business Administration](#) for health centers of any size that are experiencing substantial economic distress due to COVID-19.

Who qualifies?

As private non-profits, all health centers **regardless of size** are eligible under the expanded criteria. Expanded eligibility criteria and emergency grants are only available between January 31, 2020 and December 31, 2020.

What are the terms?

- Up to \$2 million in loan principle assistance.
- When you apply you can request an emergency grant advance of \$10,000. The advance does not need to be repaid under any circumstance.
- Grant may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent, and mortgage payments. Money will be available within 3 days of applying.
- 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 for non-profits is 2.75% and repayment terms are flexible up to 30 years.
- Loans are eligible for 12 months of deferment of principle and interest.

How do I apply?

Apply directly [through the SBA](#). Applicants may [apply online](#) or call 1-800-659-2955. Questions on the program can be referred to: disastercustomerservice@sba.gov, or at the number above.

Mid-Size Business Emergency Loan Program

Section 4003(c)(3)(D) of the CARES Act says that the Treasury and Federal Reserve shall “endeavor to seek” to implement a loan program for mid-sized businesses, including nonprofit organizations, that have between 500 and 10,000 employees (the Mid-Sized Business Emergency Loan Program). The law provided at least \$454 billion for this and related purposes. ***As of April 5, 2020, this program has not yet been launched, and many important details have not yet been determined.***

What are the terms?

- **Interest rate:** The statute sets a maximum interest rate of 2%, and authorizes the Treasury and Federal Reserve to set lower rates
- **Deferment period:** The statute sets a minimum deferment period (with no interest or penalties) of 6 months, and authorizes the Treasury and Federal Reserve to make it longer.
- **The borrower must agree** to the following:
 - They will retain at least 90% of the workforce they had on staff at the time of application, at full salary and benefits, through at least September 30, 2020.
 - Not later than 4 months after the end of the public health emergency, they will restore at least 90% percent of their workforce that existed as of February 1, 2020, at the levels of compensation and benefits that existed on that date.
 - They will not outsource any jobs for the term of the loan and 2 years after completing repayment of the loan.

Note that some groups, including the American Hospital Association, are advocating for Congress to establish more lenient terms for these loans.

Will these loans be eligible for forgiveness?

No. The CARES Act explicitly states that these loans will not be eligible for forgiveness.

What are some of the details that have yet to be determined?

As of April 5, the Treasury and the Federal Reserve have yet to release guidance or regulations indicating:

- When the program will become operational;
- Maximum loan amounts;
- Maximum repayment period;
- How the loans will be administered.

At this time, it is unclear when guidance or regulations will be issued on this loan option.

Expanded Unemployment Insurance for Fully or Partially Laid-Off Employees

Recent legislation grants states more flexibility in paying Unemployment Insurance (UI) to individuals impacted by COVID-19, and nearly all states have issued guidance specifying how they have expanded their UI programs to cover these employees. However, not all states have expanded UI benefits to the same extent, and there are variations in each state with respect to factors such as furloughs, charge-back rates to employers, and how UI benefits interact with paid leave. Therefore, ***it is critical to check with your state Unemployment Insurance (UI) office to determine which benefits apply in your state, and how.***

Which individuals are eligible for the expanded UI benefits due to COVID-19?

States now have more flexibility in paying UI benefits when:

- An employer temporarily ceases operations due to COVID-19, preventing employees from working;
- An individual is quarantined with the expectation of returning to work after the quarantine is over; and
- An individual leaves employment due to a risk of exposure or infection or to care for a family member.

What expanded UI benefits are available nationally to all applicants impacted by COVID-19?

Eligible individuals will receive:

- Payment for the first week of approved unemployment, covered fully by the Federal government. (Most states typically provide no UI payment during the first week.)
- An additional \$600 per week, on top of ordinary state-authorized weekly benefits, through July 31, 2020. It is expected that this benefit will be added to all payments issued starting the week of April 12-18 and will be added to all Unemployment Insurance benefit payments for weeks of unemployment beginning Sunday, March 29, 2020 and ending no later than July 31, 2020. However, states are still waiting for guidance from the US Department of Labor for details.
- An additional 13 weeks of pandemic emergency unemployment compensation, if they exhaust their initial 26 weeks, up to a maximum of 39 weeks for the period January 27 through December 31, 2020. This extension is called “Pandemic Unemployment Emergency Compensation.”
- Some benefits may be available retroactively.

What expanded UI benefits may be available, based on your state?

- States are encouraged to establish or expand “short-time compensation programs.” These programs – also known as “work sharing” programs -- provide employees whose hours have been reduced with a pro rata portion of the UI they would have received if fully laid off. Often, such programs require employers to submit short-time compensation plans to the state for approval before employees are able to take advantage of such a benefit.
- Many states are now offering UI payments to staff who have been furloughed – fully or partly -- due to COVID-19. (Typically, UI is restricted to individuals who have been terminated/ laid-off, which is considered more permanent than a furlough.)

What will this cost?

It depends on your state, and also whether your organization pays State Unemployment Taxes (SUTA) or self-insures for unemployment costs.

- ***For employers that pay State Unemployment Taxes (SUTA):*** In some states (e.g., DC, IA, ME, VT) benefits paid for reasons related to COVID-19 will not be charged to an employer’s experience rating – meaning that their UI contributions should not increase. However, other states like Delaware have made clear that they will not exclude COVID-19 claims from employer experience ratings, meaning

employers could see an increase in their unemployment tax rate. Many other states have not yet provided any guidance on this issue.

- ***For non-profit employers that self-insure for unemployment:*** These employers will be reimbursed for half of their costs of benefits provided to their laid-off employees.

Finally, Paycheck Protection loan forgiveness eligibility amounts will be reduced according to reductions in payroll from employees that seek COVID-19-related UI benefits.

How do I access these benefits?

Contact your state [unemployment office](#).

Accelerated Medicare Payments

Who qualifies? All health centers that have billed Medicare within the past six months.

What are the terms?

- FQHCs can receive up to three months' worth of their average Medicare revenues in advance.
- Funds should be received within seven calendar days of submitting a request to your MAC.
- Repayment of any excess funds will not begin until 120 days after payment is received.

How do I access these benefits? Contact your Medicare Administrative Contractor (MAC.)

Where can I get more information? See this **CMS Fact Sheet on advanced payments.**

Public Health & Social Services Emergency Fund (aka \$100 billion fund)

In the CARES Act, Congress appropriated \$100 billion to the Public Health and Social Services Emergency Fund to reimburse “eligible health care providers” for “health care related expenses or lost revenues that are attributable to coronavirus.” As of April 5, the Administration has yet to make any public announcements about how, when, or to whom these funds will be distributed. Therefore, the following information is based on the language in the statute.

Who qualifies? Per the statute, funds may be provided to “public entities, Medicare or Medicaid enrolled suppliers and providers, and such for-profit entities and not-for-profit entities not otherwise described in this proviso as the Secretary may specify, within the United States (including territories), that provide diagnoses, testing, or care for individuals with possible or actual cases of COVID–19.”

What are the terms?

The statute requires that:

- Recipients must submit an application for the funds; however, this application may be submitted retroactively these funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse
- A. Payment may be made prospectively or retrospectively.

What are allowable uses of funds?

In addition to the general statement that funds are to be used for “health care related expenses or lost revenues that are attributable to coronavirus”, the statute also states that “funds appropriated under this paragraph in this Act shall be available for building or construction of temporary structures, leasing of properties, medical supplies and equipment including personal protective equipment and testing supplies, increased workforce and trainings, emergency operation centers, retrofitting facilities, and surge capacity.”

How do I access these benefits? Contact your Medicare Administrative Contractor (MAC.)

Where can I get more information?