

The Arc New York Webinar – CARES Act Federal Health Care Provider Relief Fund and Update on CARES Act / Main Street Lending Program

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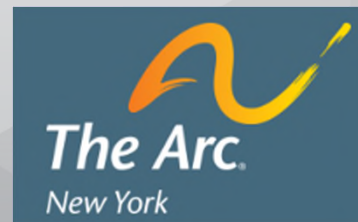
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Agenda

- Confusion continues with frequent updates
- Overview of the HHS Provider Relief Fund program – Purpose, Targeted Recipients
- HHS Provider Relief Fund Timeline – who received, who was eligible?
- Relief Fund Rounds 1, 2, and 3 – attestation and issues (Al Kaplan)
- What Medicare / Medicaid revenues can be used to calculate entitlement to funds? HCBS services? Medical care? Article 16 therapies?



Agenda

- What attestation / documentation is required? How do you submit an attestation if you haven't received a request?
- What can you do if you believe the amount you received is incorrect?
- National overview – what's going on as the funds are rolling out? What might change in the near future? (Phil Aydinian)
- Update on COVID-19 / CARES Act – Main Street Lending Program
- What Medicaid service providers need to do in submitting portal information prior to July 20, 2020 and recommended next steps



Confusion Continues – Daily / Weekly Clarifications

This presentation is intended for general educational and/or informational purposes only and does not replace specific, independent professional advice. This presentation is based on our current interpretations of HHS General Distribution Funding, referred to as the Provider Relief Fund. In addition, there will be discussion of the recently released Main Street Lending Program. These interpretations may ultimately change based on future guidance from the responsible government funding agency.

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Quick Updates as of July 9th

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- Congress is on their July 4th holiday recess, to reconvene on Monday, July 20th
- The \$3 trillion HEROES Act passed by the House does not appear to have support by either the Senate or the President without major modifications
- As a result, certain of its provisions may be carved out and passed as separate pieces of legislation
- The Republican-controlled Senate continues to maintain a “wait and see” perspective based on future economic indicators
- The recent surge in Coronavirus hotspots around the country, coupled with increasing financial requests from individual States, makes it clear that we will have additional stimulus legislation, most likely before August 15th



Program Overview – HHS \$15 Billion Medicaid Provider Relief Fund

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- A summary discussing the program can be found here:
<https://www.leadingagency.org/topics/coronavirus/leadingage-ny-resources/15-billion-cares-act-funding-for-medicaid-providers/>
- The program application can be found here:
<https://www.hhs.gov/sites/default/files/medicaid-provider-distribution-instructions.pdf>



HHS Provider Relief Fund Timeline

- **April 10-17 – General Distribution**
 - \$30 Billion distributed based on 6.2% of 2019 Medicare Reimbursement
 - Automatic payment to all providers that received Medicare fee-for-service reimbursement in 2019.



HHS Provider Relief Fund Timeline

- **April 24th – General Distribution**
 - \$9.1 Billion to true up first payment for Medicare fee-for-service providers paid in the April 10 - 17 tranche such that total payment was 2% of 2018 NPSR as reported on 2018 As-Filed Cost report
 - Payments automatic in this round to cost report filers



HHS Provider Relief Fund Timeline

- **Starting April 24th – General Distribution**
 - \$10.9 Billion to Medicare fee-for-service providers based on revenue submissions via the General Distribution Portal
 - Providers could get an additional payment based on the lesser of 2% of net patient service revenue per the most recently filed tax return, or lost revenue for March and April 2020.
 - Allowed providers that did not submit revenue data via a cost report filing to report revenue and potentially receive additional payments.



HHS Provider Relief Fund Timeline

- **May 6th – Rural Distribution**

- \$10 Billion Rural Distribution to Critical Access Hospitals (CAH), Rural Health Clinics (RHC) and Community Health Centers (CHC).
 - Critical Access Hospitals – Graduated Base Payment + 1.97% of Operating Expenses
 - Rural Health Clinics - \$100,000 per clinic site plus 3.6% of RHC Operating Expenses
 - Community Health Center - \$100,000 per rural clinic site



HHS Provider Relief Fund Timeline

- **May 7th – High Impact Distribution**
 - \$10 Billion to High Impact Hospitals with 100 or more COVID-19 admissions between 1/1/2020 – 4/10/2020
 - $\$76,975 * \# \text{ of COVID admissions}$
 - \$2 Billion to Medicare DSH hospitals
 - Of the 395 High Impact Hospitals, additional \$2 Billion distributed based on $(\text{Medicare Funding}) / (\text{Sum of Medicare Funding for 395 high impact hospitals})$



HHS Provider Relief Fund Timeline

- **May 22nd – SNF Distribution**
 - \$4.9 Billion to Skilled Nursing Facilities based on \$50,000 + \$2,500/Certified Bed



HHS Provider Relief Fund Timeline *

- **May 29th – Tribal Hospitals, Clinics, and Urban Health Centers Distribution**
 - Total of \$500 Million disbursed
 - IHS and Tribal Hospitals: \$2.81 Million + 3% of Operating Expense
 - HIS Clinics & Programs: \$187,000 + 6% * (Service population*Cost/User)



HHS Provider Relief Fund Timeline

- **June 3rd – General Distribution**
 - Deadline for providers to submit revenue information
 - Deadline to apply for additional General Distribution Funds



HHS Provider Relief Fund Timeline *

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- **June 8th – High Impact Distribution**
 - To apply, hospitals can report COVID-19 positive inpatient admissions between 1/1/2020 – 6/10/2020. Deadline June 15th.



HHS Provider Relief Fund Timeline

- **June 9th – Medicaid and CHIP and Safety Net Hospitals**
 - \$15 Billion to Medicaid and CHIP programs that have not received general distribution fund
 - Based on at least 2% of gross patient revenue, may account for number of Medicaid patients.
 - \$10 Billion to Safety Net Hospitals
 - Medicare DSH of 20.2% or more
 - Average Uncompensated Care/Bed of \$25,000 or more
 - Profitability of 3% or less based on most recently filed cost report



HHS Provider Relief Fund Timeline *

- **Yet to Come**

- We fully expect that there will be additional stimulus and programs developed to supplement provider cash flow
- Therefore, maintaining a relationship with an internal staff member dedicated to researching COVID-19 response programs is essential
- In the absence of an internal staff member as to availability, we strongly recommend that you formally engage an external consultant to provide you with ongoing guidance



HHS Announces \$15 Billion for Medicaid Providers *

- On June 9th, HHS announced a second tranche of \$15 billion for Medicaid and CHIP service providers
- ANCOR issued the attached letter to its members that same day
- The second tranche followed a \$50 billion tranche that was distributed in April 2020 to Medicare Medical Service Providers
- The main beneficiaries were hospitals, nursing homes, Article 28 clinics, hospices, and other providers that bill Medicare claims



HHS Second Tranche Announcement Creates Confusion! *

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- The first \$50 billion tranche was focused on those types of providers that were most seriously impacted by the COVID-19 pandemic
- In addition to two payments in April, HHS announced that all provider recipients needed to submit financial information to the HHS portal no later than June 3, 2020
- HHS payments made were only eligible for purposes of preventing, preparing for, and responding to COVID-19
- The total amount of General Distribution payments could not exceed a provider's "incremental expenses and lost revenue related to COVID-19"



Explaining the Confusion re: HHS General Distribution Payments *

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- Since HHS used Medicare provider information for their April payment distributions, it created a disadvantage for providers that had far greater Medicaid reimbursement than Medicare claims payments
- In addition, HHS has stated that if a provider received distribution payments based on Medicare, that provider would **NOT** be eligible for funds through the Medicaid / CHIP \$15 billion tranche
- Even if providers rejected the April payment, they are still ineligible for the Medicaid / CHIP funding



Provider Eligibility for \$15 Billion Second Tranche

- Discussion regarding the application process to the portal – deadline July 20, 2020
- What Medicare / Medicaid revenues can be used to calculate entitlement to funds
 - HCBS services?
 - Medical services?
 - Article 16 therapies?
 - Other services that may qualify?

Arc NY Webinar



- CARES Act Relief Fund Revenues
- Round One
- Round Two
- Round Three

Arc NY Webinar



- Attestation
- Issues
- Other Considerations



HHS Factoids That May Provide Clarity

- It appears as though the General Distribution Payments were intended primarily for **Medical Service Providers** and not for **Habilitation Service Providers**.
- \$48 billion of the first \$50 billion tranche was distributed in two separate disbursement checks to hospitals, nursing homes, Article 28 clinics, hospices, and other Medicare-funded providers. The stated purpose and intended use of these funds is explained by HHS on the attached document.



HHS Factoids That May Provide Clarity

- HHS did inform providers receiving checks during April, by issuing a formal notice, of the requirement to submit additional information no later than June 3rd to the HHS portal. As of today, it appears as though the June 3rd portal is still available for submission of provider information.
- The June 3rd portal submission requirement was intended to provide them with the ability to reconcile the amounts distributed to each provider as to eligibility. The portal reconciliation process will also be used to distribute the additional \$2 billion that has not been distributed.



HHS Factoids That May Provide Clarity *

- The second tranche of \$15 billion was announced June 9th by HHS and specifically referenced groups of providers that were not included in the April general distributions but is now to include Medicaid service providers participating in Child Health Plus, Home and Community Based Services, and other Medicaid program service components.
- HHS continues to clarify their intended distinction between the first and second tranches as to those specific providers that they intended to benefit from the \$50 billion tranche and the \$15 billion tranche.



HHS Factoids That May Provide Clarity

- One thing that HHS has made extremely clear is that their goal in providing these additional funds was to cover lost revenue and incremental costs related to the COVID-19 pandemic. In accomplishing this goal, HHS focused initially on **Medicare Medical Service Providers** (e.g., hospitals, nursing homes, and clinics). The second tranche of \$15 billion is focused primarily on **Medicaid Service Providers**.
- The reconciliation methodology on the following slide is based on our research and is not clearly stated or confirmed in any HHS communication or publication.

Reconciliation of HHS Payments Received to Incremental Costs and Lost Revenue

Description	Amount (for example purposes only)	Final Reconciliation
a. Check amount received on or about April 10th, based on 2019 Medicare claims paid	\$100,000	
b. Check amount received on or about April 21st, for all claims reported on 2018 cost report	\$225,000	
c. Subtotal of amounts received	\$325,000	\$325,000
d. All providers were notified to provide additional information in the HHS portal by June 3rd, including:		
e. Total Net Patient Service Revenue for calendar 2019	\$50,000,000	
f. 2% of Total Net Patient Service Revenue	\$1,000,000	\$1,000,000
g. Provider revenue lost during March, April, and May due to COVID-19 pandemic (e.g., empty nursing home beds)	\$250,000	
h. Incremental costs incurred specifically related to addressing the COVID-19 pandemic	\$150,000	
i. Subtotal of revenue lost / incremental costs	\$400,000	\$400,000
j. Final payment from first tranche is the lesser of item f compared to item i	\$400,000	\$400,000
k. Additional amount to be paid to provider in addition to total of initial payments in item c (item j – item c)	\$75,000	\$75,000



HHS Factoids That May Provide Clarity

- The first payment from the general distribution was provided to those with Medicare fee-for-service billings in 2019.
- There was a second payment from the general distribution to those with Medicare for the difference between #1 and 2% of net patient revenue.
- The total of these two payments is supposed to end up being the lesser of 2% of net patient revenue or lost revenue for March and April.



HHS Factoids That May Provide Clarity

- In order to be eligible for a “true-up” from the general distribution, entities needed to fill out information on a portal by June 3.
- If an entity that received funds in the general distribution still has not provided their info on the online portal, they need to, but they will not be eligible for any additional funds.
- The Medicaid/CHIP payments are now being applied for by entities that are eligible for a targeted distribution payment from the \$15 billion tranche.



HHS Factoids That May Provide Clarity *

- These payments will be limited to the lesser of 2% of net patient revenue or lost revenue for March and April, similar to the general distribution.
- If an entity received any funds at all from the general distribution, they are not eligible for funds through the Medicaid/CHIP targeted distribution, even if they were to reject the general distribution funds.



HHS Factoids That May Provide Clarity

- There is one mention of “Home and Community Based Services” in an HHS email – however, the funding appears to be geared towards medical providers
- HHS has been provided a “curated list” of eligible providers by each State using the Transformed Medicaid Statistical Information System (T-MSIS)
- Providers not on the curated list can still apply and have their eligibility validated by HRSA through an additional process
- Providers can also contact their State Medicaid Office to attempt to be added to the State list

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Healthcare Provider Fund National Perspective of
Rollout and Next Steps



The Rollout

- Opening of the second tranche to Medicaid providers was an advocacy win and still is for many who benefit
- Story from across the country is the same as New York – HHS did not effectively communicate directly to providers who received the first tranche.

The Rollout

- Outreach to HHS from The Arc US, ANCHOR, and others yielded conflicting stories
- Senators and staff were notified and reportedly “outraged” of how HHS/HRSA implemented the rollout
- HRSA has since doubled down on the eligibility requirements through their updated FAQ and recent webcast

Next Steps

- The Arc US, Arc New York, Arc Kentucky, ANCHOR, ACCSES, Goodwill, and others are developing a public advocacy campaign directed towards Leaders McConnell and Schumer
- Asking to keep the Medicaid and CHIP Provider funding portal open past the July 20 deadline, provide further instructions and more inclusive language to make clear that disability service providers are eligible for funds.

Next Steps

- Continued pressure to maintain funding for disability communities found in the Heroes Act.
- Open up direct funding opportunities to disability communities and providers of supports and services through the Provider Relief Fund or other mechanisms.

COVID-19 Aid Programs

Federal COVID-19 Crisis Aid Programs at a Glance

Updated 6/17/20 (May Not Reflect All PPPFA Provisions)

Warning! Do not make decisions based solely on this "at-a-glance" summary!

	Paycheck Protection Program (PPP)	Economic Injury Disaster Loan (EIDL)	Mid-Size Organization Loans	Main Street Loan Program	Employee Retention Credit	Sick and FMLA Leave Credits	Payroll Tax Deferral
What is it?	Loan program with forgiveness provisions	Loan program		Loan program with start date to be announced soon	Credit for payroll paid to retained employees	Credit for payroll paid to employees out of work for sick or FMLA leave	Deferral of remittance of payroll taxes
Who can use it?	Generally, orgs with less than 500 employees (exceptions apply); 501(c)(3) and (19) NFPs	Generally, orgs with less than 500 employees including most NFPs		Generally, orgs with up to 15,000 employees and 2019 revenue under \$5B. NFP orgs likely to be included.	Orgs with operations fully or partially suspended causing a decline in gross revenue of >50% qtr over prior year qtr	Generally, required for orgs with less than 500 employees (exceptions apply for orgs under 50 and some others)	Orgs incurring payroll tax expense (OASDI 6.2%) between 3/27/20 and 12/31/20
Main Benefits?	Full or partial forgiveness if loan proceeds are spent on approved expenditures in prescribed time-frame and employee headcount maintained	Low interest loan with streamlined application process and favorable term up to 30 years		Higher borrowing limits, unsecured, variable rate LIBOR + 3%; five-year term with no principal in first 24 months, no interest in first 12 months	Refundable credit of 50% of eligible wages up to \$10,000 per employee kept on payroll but not working due to COVID-19 disruption	Credits for portion of normal pay maintained for up to 2 weeks of sick leave and up to 12 weeks of FMLA leave in 2020 if FMLA is due to COVID-19 disruption	Defer 2020 payroll taxes with payment required 50% on 12/31/21 and 50% on 12/31/22
Other benefits?	Loan rate 1.0%; can pre-pay without penalty anytime	An initial \$10,000 advance that is forgiven even if loan not taken		Main Street Priority and Expanded Loans allow even higher loan amounts with collateral for Expanded Loans	For orgs with < 100 employees, the credit is available whether or not employees are working	Covers portion of mandated leave costs	Interest and penalty-free payment deferral
The downside?	Maximum term 2 years	Direct loan through SBA; collateral may be requested for loans over \$25,000		Specific restrictions on activities including distributions to owners & management compensation	Numerous detailed limitations and restrictions	Credit amounts limited based on each employee's normal pay and reason for leave	Depending upon number of employees, may be a relatively minor near-term cash flow benefit
How do you get it?	Apply with participating bank or credit union	Apply on-line at SBA website		Apply with participating bank or credit union	Claim on Form 941 and deduct from payroll tax remittances	Claim on Form 941 and deduct from payroll tax remittances	Simply don't remit taxes and report on Form 941
How much?	Cap is 2 ½ times average monthly payroll or \$10M	Up to \$2 million		Minimum \$250k, up to the lesser of \$35M or four times 2019 EBITDA	See above	Daily and aggregate per-employee limits	Generally, 6.2% of taxable payroll
Interaction with other options?	Cannot take a PPP loan and take the Employee Retention Credit	Companies can apply for and accept both PPP and EIDL loans		Can have both a PPP loan and a Main Street Loan	Must forego PPP loans to use this	Wages for which this is claimed not eligible for PPP forgiveness	Deferral eligibility is through 12/31/20 or date of loan forgiveness calculation
Complicated details?	Potentially quite complicated	Moderately complicated		Moderately complicated	Potentially quite complicated	Potentially quite complicated	Relatively simple



Main Street Lending Program Announced July 6th

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- These three slides are intended as a quick update on CARES Act initiatives – primarily the Main Street Lending Program (MSLP)
- We are not planning to discuss specifics of the COVID-19 aid programs listed on the previous slide
- As of today, the program announced **DOES NOT INCLUDE** not-for-profit organizations
- However, previous announcements of the program indicated that there would be NFP eligibility
- We expect, but can never guarantee, that further guidance related to NFP eligibility under the Main Street Lending Program may be issued



MSLP – Draft Terms for the Program

Eligibility

- 1) NFP (501(c)(3) or 501(c)(19)) in operation since 1/1/15
- 2) Has less than 15,000 employees OR 2019 revenue less than \$5B
- 3) At least 50 employees
- 4) Endowment of less than \$3B
- 5) 2019 revenue from donations (including fundraising) < than 30% of total 2019 revenue
- 6) Ratio of 2019 earnings before interest, depreciation, and amortization (EBIDA) to unrestricted 2019 operating revenue, greater than or equal to 5%
- 7) Ratio of liquid assets (unrestricted cash and investments that can be monetized within 30 days) at time of loan origination to average daily expenses over previous year, equal to or greater than 90 days



MSLP – Draft Terms for the Program

Eligibility (cont'd)

- 8) At time of loan origination, ratio of unrestricted net assets to existing outstanding and undrawn available debt, plus the amount of any loan under MSLP, plus amount of any CMS Accelerated and Advance Payments, greater than 65%
- 9) Created or organized in the US with significant operations and majority of employees based in US
- 10) Does not also participate in NOELF, MSNLF, MSPLF, MSELF, Primary Market Corporate Credit Facility, or Municipal Liquidity Facility; and
- 11) Has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (may have a PPP loan)

Main Street Lending Program – Extension to NFPs Not Yet Approved

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Federal Reserve Board sought public comment on proposal to expand MSL program to NFPs. Comment period ended June 22nd.

No announcement yet re: NFP eligibility.

Proposed Main Street Lending Program Nonprofit Loan Options	Nonprofit New Loans	Nonprofit Expanded Loans
Term	5 years	
Minimum Loan Size	\$250,000	\$10M
Endowment Cap	\$3 billion	
Years in Operation	At least 5 years	
Employee Min/Max	Employees fewer than 15,000 and greater than 50	
Revenue cap and source requirement	2019 Revenues less than \$5 billion, with less than 30% sourced from donations	
Maximum Loan Size	The lesser of \$35M, or the borrower's average 2019 quarterly revenue	The lesser of \$300M, or the borrower's average 2019 quarterly revenue
Risk Retention	5%	
Principal Repayment	Principal deferred for two years; years 3-5: 15%, 15%, 70%	
Interest Payments	Deferred for one year	
Rate	LIBOR + 3%	

SBA Updated Rules – PPPFA

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Interim Final Rule on Revisions to the Third and Sixth Interim Final Rules (<https://home.treasury.gov/system/files/136/PPP-IFR--Revisions-to-the-Third-and-Sixth-Interim-Final-Rules.pdf>)

There are several revisions to interim final rules three and six included within this 13-page rule, but most are solely to ensure conformity with the new PPPFA. The one significant clarification established by this rule and also outlined in the newly revised forgiveness application relates to the maximum payroll costs eligible for forgiveness:

- Under the previous 8-week measurement period, a borrower was capped at the 8-week equivalent of \$100k annually (i.e., \$15,385). For borrowers that opt to still use the 8-week covered period, this cap will remain unchanged. Owners using the 8-week period are capped at the lesser of \$15,385 or $8/52^{\text{nds}}$ of their 2019 comp.

SBA Updated Rules – PPPFA

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Interim Final Rule on Revisions to the Third and Sixth Interim Final Rules (continued)

- For borrowers that opt to use the 24-week covered period, they can use the 24-week equivalent of \$100k annually (\$46,154) per employee.
- For owners/owner-employees/self-employed individuals/general partners using the 24-week covered period, they are capped at the lesser of \$20,833 (the 2.5-month equivalent of \$100k) or the 2.5-month equivalent of their 2019 comp. (N/A for NFPs)

SBA Updated Rules – PPPFA

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PPP Loan Forgiveness Application Revised June 16, 2020

(<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>)

- While it may appear that they shortened this form from 10 pages to 4, don't be fooled – they simply moved the instructions to a separate document:

https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Instructions_1.pdf



Additional Resources Related to COVID-19

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- LeadingAge has created this reference document for further guidance: <https://www.leadingagency.org/linkservid/C1D9B1BC-D35A-D25E-DC5636F1906ACF13/showMeta/0/>



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- The Bonadio CARES & More Consulting Team continues to work diligently with our clients and friends to assess their eligibility for current and future stimulus programs, with the objective of maximizing eligible benefits.
- The laws and guidance change daily, and our team is here to track the evolving process, advise your business regarding the programs available, and provide an overarching support system in understanding how all the programs interact, as well as consult with you and your other external teams to maximize benefits to ensure that you and your company get through this difficult time.

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