



## Cashflow and Payroll Options for Health Centers During the Covid-19 Crisis

*Current as of 3/30/2020*

**Important:** *This is an evolving document, and will be updated as new information becomes available. For example, NACHC staff are currently researching the recent [CMS announcement about accelerated Medicare payments](#) to determine the applicability to health centers.*

*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. This document provides an overview of new programs that health centers – as well as PCAs, HCCNs, and NTTAPs<sup>1</sup> - can tap to cover revenue shortfalls and to help their employees make ends meet during this time.

The document begins with a chart summarizing all the programs, and is followed by a full-page overview of each program.

At present, two of these programs – Paycheck Protection Loans and Emergency Leave – are available only to health centers with fewer than 500 employees. Health centers with more than 500 employees should see the list of “Other Programs” on the last page of this document.

Finally, as noted on the cover, this will be an evolving document. For example, NACHC is currently studying the recent [CMS announcement about accelerated Medicare payments](#) to determine the applicability to health centers. 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](mailto:shansen@nachc.org).)

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<sup>1</sup> All programs which are open to health centers with fewer than 500 employees are also open to PCAs, HCCNs, and NTTAPs with fewer than 500 employees.

## Summary of Cashflow and Payroll Options for Health Centers During the Covid-19 Crisis

	What is it?	Who is eligible?	What are the terms?	What to do?
<b>Paycheck Protection Loans</b>	Federally guaranteed loans. For any aspect of employee compensation, as well as mortgage, rent, and utilities. May take out up to 2.5 months of payroll up to \$10 million.	Health centers up to 500 employees. <sup>2</sup>	Payments and interest deferred for 6 months to 1 year. After that, no more than 4%. Principal may be fully forgivable with documentation. No fees.	Call your bank or find SBA-approved lenders in your area through SBA's <a href="#">Lender Match</a> tool. For help, call your local <a href="#">Small Business Development Center</a>
<b>Emergency Paid and Family Leave</b>	<u>Paid leave:</u> Up to 80 hours of paid sick leave to \$511/day. For caregiver leave, 80 hours to \$200/day. <u>Family leave:</u> 10 weeks at \$200/day max. To care for a child whose school or care provider is unavailable.	Health centers up to 500 employees. Exceptions available for medical personnel and businesses below 50 employees.	Employers receive a refundable tax credit for 100% of the eligible leave costs. Credit applied as refund against employer's total portion of Social Security taxes for the period.	<a href="#">General information on leave programs</a> <a href="#">Questions and answers on leave provisions</a>
<b>Economic Injury Disaster Loans</b>	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 health centers, 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 <a href="#">apply online</a> or call 1-800-659-2955.
<b>Federal Pandemic Unemployment Insurance</b>	Full federal support of unemployment benefits for layoffs and job disruptions due to COVID-19. Benefit amounts determined by the weekly benefit structure in the applicant's state, plus \$600.	All health center employees and contractors. May be additional state flexibilities.	No impact on employer's unemployment insurance experience rate.	Contact your state <a href="#">unemployment office</a> .
<b>Additional Ideas For Health Centers with more than 500 employees</b>				
<p><b>Employee retention credits:</b> Refundable tax credit on <a href="#">employment taxes</a> for up to 50% of qualified wages per quarter.</p> <p><b>Deferral of social security payroll taxes:</b> <a href="#">Deferral</a> of 2020 payroll taxes. 50% due by end of 2021. Other 50% by end of 2022.</p> <p><b>Coronavirus relief funds:</b> Talk to your state about accessing <a href="#">their allotment</a> from the recent legislation.</p> <p><b>Grants:</b> States and private entities are offering Coronavirus-related <a href="#">grants</a>.</p> <p><b>Banks:</b> Federally-backed loans for businesses between 500 and 10,000 employees will be available soon at rates below 2%. Federal authorities are also <a href="#">working with banks</a> to help them lend favorably in response to the crisis.</p>				

<sup>2</sup> Under the CARES Act, the term 'employee' includes individuals employed on a full-time, part-time, or other basis. It is not by FTE.

## Paycheck Protection Program (PPP) Loans

*Available only to employers with less than 500 employees*

The [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), signed into law on March 27, 2020, sets aside \$349 billion for small businesses, including health centers. CARES allows health centers with less than 500 employees to take out federally guaranteed loans through commercial banks, and may be fully forgivable provided that health centers can demonstrate that the funds were used as intended.

### Who qualifies?

Small businesses - including health centers, PCAs, HCCNs, and NTTAPs - with up to 500 employees.<sup>3</sup> While employers in the hospitality and food industries are permitted to count employees on a per-site basis, this flexibility does not extend to health care providers.

### What are the terms?

- Loans may cover any aspect of employee compensation, as well as mortgage, rent, and utilities incurred between February 15, 2020 and June 30, 2020.
- The amount any small business is eligible to borrow is 250 percent of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. Maximum interest rate is 4%, with no fees.
- Payroll costs include employee salaries (up to an annual rate of pay of \$100,000), hourly wages and cash tips, paid sick or medical leave, and group health insurance premiums.
- Requires lenders to defer all payments including principal, interest, and fees for no less than 6 months and no more than 1 year.
- If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you may refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan.
- If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

### About loan forgiveness

- The loan is forgiven after the 8-week loan period without interest. Borrowers will work with lenders for any documentation. The amount of principal that may be forgiven is equal to the sum of expenses for payroll, and existing interest payments on mortgages, rent payments, leases, and utility service agreements.
- If you to use the Paycheck Protection Program for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.
- If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25 percent, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

### How do I apply?

Call your bank or find SBA-approved lenders in your area through SBA's [Lender Match](#) tool. For help, call your local [Small Business Development Center](#). The program is available until June 30, 2020.

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<sup>3</sup> Under the CARES Act, the term 'employee' includes individuals employed on a full-time, part-time, or other basis. It is not by FTE.

## Emergency Paid Sick Leave and Emergency Family Leave

[The Families First Coronavirus Response Act](#) (FFCRA), signed into law on March 18, created two new temporary types of paid leave for workers impacted by COVID-19.

### Who must comply?

Most employers with fewer than 500 employees are required to offer these two types of leave. Exceptions are available for medical personnel and businesses below 50 employees.<sup>4</sup> The rules are effective on April 1.

### What are the terms?

- **Emergency Paid Sick Leave:** Two weeks (up to 80 hours) of paid sick leave at the employee's regular rate of pay (up to \$511/day) where the employee is unable to work because they are quarantined by a doctor or government authorities and/or experiencing COVID-19 symptoms and seeking a medical diagnosis. For employees who need to care for someone else, employers must offer two weeks of paid sick leave at two-thirds the employee's regular rate of pay (up to \$200/day). Employers are not required to pay more than the capped amounts.
- **Emergency Family Leave:** Up to an additional 10 weeks of paid expanded family leave, with employers not required to pay more than \$200 per day and \$10,000 in total. The only employees who are eligible are those who are unable to telework **and** who have a child under age 18 whose school or childcare provider is closed or unavailable due to COVID-19.

### Who pays for Emergency Paid Sick Leave and Emergency Family Leave?

Employers must pay for their employees for this leave. However, the Federal government will reimburse them for the full costs of the required leave, through refundable credits on the employer share of Social Security payroll taxes. Employers deduct the amount they paid for this leave from their payroll tax contributions on an employee's pay and submit documentation. The credits will cover the capped salary amounts described above, as well as the employer's health insurance premiums.

### Where can I learn more?

NACHC has developed a health center-specific guidance document, for the leave programs and other human resources considerations, accessible [here](#). General information on FFCRA leave from the Department of Labor is found [here](#), and questions and answers from the Department of Labor on how the FFCRA leave provisions work can be found [here](#).

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<sup>4</sup> Under the CARES and FFCRA, the term 'employee' includes individuals employed on a full-time, part-time, or other basis. It is not by FTE.

**Mandatory Paid Leave Under Families First Coronavirus Response Act**  
 Current as of 3/25/2020

		<b>Emergency Paid Sick Leave</b>	<b>Emergency Family Medical Leave</b>	
<b>Which EMPLOYERS must offer this leave</b>		All employers with fewer than 500 employees		
<b>Which EMPLOYEES are eligible:</b>		Employees who are <b>sick or under quarantine themselves</b>	Employees who are <b>caring for a family member or child</b> who is sick, quarantined, or whose school/childcare is closed	Employees who have a <b>child under 18</b> whose school or childcare is closed <u>AND</u> who are unable to telework.
	Minimum tenure to be eligible	No minimum	No minimum	30 days
<b>MAXIMUM days and dollar amounts (that employers must provide and the Federal government will reimburse)</b>				
	Maximum number of days	10 days (for a full-time FTE)	10 days (for a full-time FTE)	12 weeks
	Maximum amount per day	The lesser of \$511 or the employee's regular daily rate	The lesser of \$200 or two-thirds of the employee's daily rate	The first 10 days may be unpaid (or employee may choose to use other types of leave.) For the remaining 50 days, maximum is the lesser of \$200 or two-thirds of the employee's daily rate
	Maximum Total Amount	\$5,110	\$2,000	\$10,000
<b>Potential EXCEPTIONS</b>				
	Employers	US Dept. of Labor may exempt some employers with fewer than 50 employees		
	Health care employees	Employers can choose to deny emergency sick leave to health care employees (but not other employees).	Both employers and the US Dept of Labor can choose to deny this FML to health care employees.	
<b>How employers get REIMBURSED</b>		Employers receive a refundable tax credit equal to 100% of the eligible leave costs described above. The tax credit is applied against an employer's total portion of Social Security taxes for the period, and is refundable.		

## 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 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](mailto:disastercustomerservice@sba.gov), or at the number above.

## Federal Pandemic Unemployment Assistance

The CARES Act provides full federal support of state unemployment benefits for layoffs and job disruptions due to COVID-19. The Act provides individual unemployment benefit assistance while someone is unemployed, partially unemployed, or unable to work. Assistance is broken out into three components, but Pandemic Emergency Unemployment Compensation (PEUC) is what is most relevant to health centers.

### Who qualifies?

All health center employees and contractors. There may be additional state flexibilities. Employees may seek these benefits if:

- They have been diagnosed with COVID-19 or are experiencing symptoms of COVID-19 that require a medical diagnosis, or if a member of their household has been diagnosed with COVID-19.
- They are providing care for a family member or member of their household who has been diagnosed with COVID-19.
- A member of their household for which they have primary caregiving responsibility is unable to attend school or another facility that has been closed as a direct result of the COVID-19 public health emergency and because of this closure they are unable to work.
- They are unable to work because of a quarantine imposed as a result of COVID-19 or have been advised to self-quarantine by a health care provider.
- They could not start a job or they quit their job as a direct result of COVID-19.
- They have become a “major support for a household” because the breadwinner in the household has died as a direct result of COVID-19.

### What are the terms?

- Benefit amounts are determined by the weekly benefit structure in the applicant’s state, plus \$600, without further limitations. Benefits are available for weeks of unemployment between January 27 and December 31, 2020, up to 39 total weeks. Benefits will be available retroactively as applicable.
- States may waive any existing waiting period provisions, and will be fully compensated by the federal government if they do so.
- Health centers’ unemployment experience rates will not be affected by unemployment claims made under this law.
- Where states allow short-time or workshare compensation, the law provides funding for employers to reduce employee hours instead of laying off workers. Employees with reduced hours receive a pro-rated unemployment benefit.

### What will this cost?

The federal government will pay for both the state and federal portion of the unemployment coverage. Health centers will not be directly affected since there will be no impact on an employer’s unemployment insurance experience rate. Paycheck Protection loan forgiveness eligibility amounts will be reduced according to reductions in payroll from employees that seek PEUC unemployment benefits.

### How do I access these benefits?

Contact your state [unemployment office](#).



## **Additional Ideas for Health Centers with more than 500 employees**

Health centers that do not qualify for small business subsidies because they have greater than 500 employees, or are otherwise in search of other ways to support their revenue have a number of options to pursue.

### **Banks**

The CARES Act establishes a \$500 billion fund to give federally-backed loans for businesses between 500 and 10,000 employees at rates below 2%. The application is not yet available.

Federal authorities are also [working with banks](#) to help them lend favorably in response to the crisis.

### **Deferral of Social Security payroll taxes**

Payroll tax payments may be deferred for the employer share (6.2%) of Social Security taxes from March 27, 2020 through December 31, 2020. 50% of the taxes will be due by end of 2021 and the other 50% by end of 2022. Talk to your accountant about how to defer these taxes.

### **State Coronavirus relief funds**

States have been given billions of dollars in federal relief funds to use with broad discretion. Talk to your state or local authorities about accessing [their allotment](#) from the recent legislation.

### **Grants**

States and private entities are offering Coronavirus-related [grants](#). Funding may be available on an immediate basis.

### **Employee retention credits**

The CARES Act's employee retention tax credit provides eligible employers with a refundable payroll tax credit for a portion of the wages paid by employers during the COVID-19 crisis – specifically between March 13, 2020 and the end of the year.

This tax credit is available to employers whose operations were fully or partially suspended due to a COVID-19 related "shut-down order," or whose gross receipts declined by more than 50% when compared to the same quarter in the previous year.

The tax credit is provided for the first \$10,000 of qualified wages paid to an eligible employee, which may include the employer's contribution to the employees' health insurance costs but will exclude any amounts that the employer already received a tax credit for under FFCRA's Emergency Paid Sick Leave or Emergency Family Leave. For employers with more than 100 full-time employees, "qualified wages" will be further limited to wages paid to employees when they are not providing services due to the reasons specified above. For employers with 100 or fewer employees, employee wages may qualify for the credit, whether the employer is open for business or subject to a shut-down order.