

# **Coronavirus and the Healthcare Industry Webinar Part II**

## **Responses to FAQ on May 6, 2020**

The guidance is continually changing and these answers are based on the best available information as of May 15, 2020.

### **Questions**

Will Marcum LLP be making available copies of the slides?

### **Response**

Copies of the presentation may be found on our Coronavirus page.

<https://www.marcumllp.com/insights/webinar-coronavirus-and-the-healthcare-industry-part-ii>

### **Question**

How is a full time employee determined? I have heard 30 hours and/or 40 hours and have also heard each employee paid counts as "1" headcount. What's your opinion?.

### **Response**

We think that 30 hours is the threshold for a FTE. If someone is over 30, s/he counts as 1. If under, they are a portion of their hours divided by 30. This guidance is on the SBA website for other programs, so we think it is what will be used for PPP. The final answer is unknown until guidance is issued.

### **Question**

Reports for HHS each calendar quarter - is there a format of that yet issued?

### **Response**

At this point, there is no format or procedure issues. The Terms & Conditions simply state the following: *Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than \$150,000 total in funds under the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136), the Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), the Families First Coronavirus Response Act (P.L. 116-127), or any other Act primarily making appropriations for the coronavirus response and related activities, shall submit to the Secretary and the Pandemic Response Accountability Committee a report. This report shall contain: the total amount of funds received from HHS under one of the foregoing enumerated Acts; the amount of funds received that were expended or obligated for each project or activity; a detailed list of all projects or activities for which large covered funds were expended or obligated, including: the name and description of the project or activity, and the estimated number of jobs created or retained by the project or activity, where*

*applicable; and detailed information on any level of sub-contracts or subgrants awarded by the covered recipient or its subcontractors or subgrantees, to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 allowing aggregate reporting on awards below \$50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.*

### **Question**

Can the HHS lost revenue include Hospice, or is it just home care?

### **Response**

The determination of lost revenue must apply to the entity that received the funds. To determine if there is lost revenue you can use a reasonable method. Two possible methods may be:

- Comparison of actual to budget revenues
- Comparison to actual to prior years for the same period

The only guidance we have on estimating lost revenue is from the FAQ put out by HHS.

***How do I estimate lost revenue in March or April?** You may use a reasonable method of estimating the revenue during March and April compared to the same period had COVID-19 not appeared. For example, if you have a budget prepared without taking into account the impact of COVID-19, the estimated lost revenue could be the difference between your budgeted revenue and actual revenue. It would also be reasonable to compare the revenues to the same period last year.*

### **Question**

For first quarter HHS reporting in July, expenses reported starting 4/1 or can we go back to 3/1??

### **Response**

The guidance is not yet available about the required reporting. Part of the Terms & Conditions state the organization “provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19”. We are waiting for guidance on the time frame of eligible costs: after January 31<sup>st</sup>?; after funding?; beginning of quarter?

### **Question**

How many months or years is the HHS stimulus / quarterly reporting to go on?

### **Response**

Guidance has not yet been provided.

### Question

LTC Industry. Unknown how many COVID residents we will ultimately have. We are in the second inning of an extra inning game. We may not need the PPP today, but what about in 60 days?

### Response

For maximum forgiveness, the PPP loan should be used for the 8 weeks of payroll costs after the date of funding. You should prepare different cash flow scenarios to determine if your organization needs the loan. Based on your models through the end of the year, you may determine that your organization is in need of a PPP loan.

The PPP loan application attestation states: Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” The FAQ from the SBA indicates that “borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business”

In addition, they issued FAQ 46 describing how will SBA review borrowers’ required good-faith certification concerning the necessity of their loan request.

*When submitting a PPP application, all borrowers must certify in good faith that “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.” SBA, in consultation with the Department of the Treasury, has determined that the following safe harbor will apply to SBA’s review of PPP loans with respect to this issue: Any borrower that, together with its affiliates,<sup>20</sup> received PPP loans with an original principal amount of less than \$2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith. SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment than borrowers that obtained larger loans. This safe harbor will also promote economic certainty as PPP borrowers with more limited resources endeavor to retain and rehire employees. In addition, given the large volume of PPP loans, this approach will enable SBA to conserve its finite audit resources and focus its reviews on larger loans, where the compliance effort may yield higher returns. Importantly, borrowers with loans greater than \$2 million that do not satisfy this safe harbor may still have an adequate basis for making the required good-faith certification, based on their individual circumstances in light of the language of the certification and SBA guidance. SBA has previously stated that all PPP loans in excess of \$2 million, and other PPP loans as appropriate, will be subject to review by SBA for compliance with program requirements set forth in the PPP Interim Final Rules and in the Borrower Application Form. If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request, SBA will seek repayment of the outstanding PPP loan balance and will inform the lender that the borrower is not eligible for loan forgiveness. If the borrower repays the loan after receiving notification from SBA, SBA will not pursue administrative enforcement or referrals to other agencies based on its determination with respect to the certification concerning necessity of the loan request. SBA’s determination concerning the certification regarding the necessity of the loan request will not affect SBA’s loan guarantee.*

**Question**

Are we looking at decrease in total revenue year over year or just Medicare revenue for this HHS funding?

**Response**

See our response above used in determining reductions in revenue. Note, no clear guidance has yet been established for the time frame.

**Question**

Some expenses are difficult to quantify, are there instances where we can use budget or previous actuals vs. current supplies expense to quantify costs?

**Response**

You should be able to identify and document all extra ordinary expenditures associate with COVID 19 and/or readiness.