



Pandemic Recovery Series: Session 4 of 8



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- This presentation and related materials are not intended to provide tax, accounting, legal, or other professional advice to any specific person or entity. Any advice or opinions regarding the application of the subject matter for a specific person or entity should be provided by a competent professional advisor based on an application of the appropriate law and authorities to the facts and circumstances applicable to that person or entity.

Pandemic Recovery Series

<http://www.hc-link.com/pandemic-recovery-webinar-series>

- Session 1 (7.2.20)
 - Navigating the Economic Incentives
- Session 2 (7.9.20)
 - Promoting Agency Success with Emergency Preparedness Plans, Infection Control, and Quality Programs
- Session 3 (7.16.20)
 - Identifying Operational Efficiencies During Pandemic Recovery
- Session 4 (7.23.20)
 - Getting Prepared for the Next Round, Financial Considerations

Pandemic Recovery Series

- Session 5 (7.30.20)
 - Legal Aspects of Pandemic Recovery
- Session 6 (8.6.20)
 - Setting Yourself Up for Financial Success
- Session 7 (8.13.20)
 - Addressing Pandemic Psychosocial Impacts While Rebuilding Agency Operations
- Session 8 (8.20.20)
 - Optimizing External Opportunities for Agency Growth and Expansion

Agenda: Session 4

- Introductions
- Review sources of financial assistance available to providers
- Maximize the benefits while staying compliant
- Create a stronger financial picture
- Evaluate and enhance your back office
- Q&A



Review Sources of Financial Assistance Available to Providers



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HHS Provider Relief Fund, aka HHS Stimulus

- These are not loans and will not be paid back if spent and documented properly
- Granted to Medicare and Medicaid providers
- These funds can only be spent on very specific items
- Should be set aside and not used until justified with proper documentation
- Will require quarterly reporting to CMS if \$150,000 or more was received
- No time limit on when these funds must be spent; can last for a long-term period
- Will be considered revenue for tax purposes

HHS Provider Relief Fund, aka HHS Stimulus

- Two ways to justify using these funds: Qualified Expenses or Lost Revenue
- **Qualified Expenses:** Additional expenses directly attributable to COVID-19
 - Additional wages paid, hazard pay, hazard bonuses
 - Personal Protective Equipment (PPE), medical supplies or equipment, sanitizers, cleaning supplies
 - Workforce training, development of new policies
 - COVID-19 testing and reporting
 - Additional software, hardware, professional fees

HHS Provider Relief Fund, aka HHS Stimulus

- **Loss of Revenue:** Reduced patient visits/hours, loss of referrals, “Not Taken Under Care” referrals (NTUC/non-admits)
 - Once you have documented the use of these funds with Loss of Revenue, you can spend that amount on any normal operating costs, such as the following:
 - Rent, utilities
 - Software, dues and subscriptions, office expenses
 - Employee payroll or contractor payments
 - Employee benefits and health insurance
 - Equipment rent/lease

Paycheck Protection Program (PPP) Loan

- This loan can qualify for 100% forgiveness
- These funds are to be used for payroll, rent, and utilities *only*
- Up to 24 weeks to spend funds, then apply for forgiveness
- Forgiven amount will be included as revenue for tax purposes

Economic Injury Disaster Loan (EIDL) Loan

- This is a full loan: 3.75% interest over 30 years; no payments for 12 months
- These funds can be used solely as working capital to alleviate economic injury caused by disaster
- Distributions, dividends, and bonuses to owners are not allowed until the loan is repaid in full
- Forgiven amount will **NOT** be included as revenue for tax purposes

Payroll Tax Deferral

- All employers may defer Employer's Social Security (6.2%) portion of the federal employment taxes
- Deferral period is 3/27/2020 through 12/31/2020
- 50% of total deferral is due 12/31/2021
- Remaining 50% of total deferral is due 12/31/2022
- There are no restrictions on how these deferred funds can be spent

FFCRA: Emergency Paid Sick Leave

- Families First Coronavirus Response Act (FFCRA)
- FFCRA provides immediate payroll tax credits for wages paid to employees who need time off for a qualifying reason related to COVID-19
 - 1) Is subject to Federal, State, or local quarantine or isolation order (2 weeks)
 - 2) Has been advised by a health care provider to self-quarantine (2 weeks)
 - 3) Is experiencing COVID-19 symptoms and is seeking a medical diagnosis (2 weeks)
 - 4) Is caring for an individual subject to #1 or #2 above (2 weeks)
 - 5) Is caring for a child whose school or place of care is closed (2 weeks followed by 10 weeks of expanded family and medical leave; to be discussed next)
 - 6) Is experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services (HHS) (2 weeks)
- Calculation of Pay: 1, 2, or 3 = 100% regular rate up to \$511 per day
4, 5 or 6 = 2/3 regular rate up to \$200 per day

FFCRA: Expanded Family Medical Leave

- FFCRA provides immediate payroll tax credits for wages paid to employees who need time off for a qualifying reason related to COVID-19
 - Qualifying reason is #5 of the Emergency Paid Sick Leave:
 - *Employee is caring for a child whose school or place of care is closed*
 - Employee can be paid at 2/3 their regular rate, up to \$200 per day, for up to 12 weeks

FFCRA: Tax Credits

- Employer should reduce their normal payroll tax deposit by the amount of wages paid under this Act
- Form 941 for 2nd Quarter 2020 was revised to allow the reporting of these credits
- A separate pay item will likely need to be used to track these wages and allow for the credit to be taken
- Check with your payroll processor for details on how to manage this
- If your credit is more than your tax deposit, employers may file for an expedited refund from the IRS

Normal Operating Revenue

- Agencies most likely still have normal operating revenue coming in
- These funds have no restrictions and can be used for any purpose
- These funds obviously are still reported as taxable income



Maximize the Benefits While Staying Compliant



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Keeping Funds Segregated

- Fund Accounting: Get to know the basics of how this works
- Use separate bank accounts for each funding source
- Separate General Ledger (GL) accounts for COVID-related expenses
- Separate payroll items for COVID-related pay items/wages
- Separate files of supporting documentation for HHS Funds vs PPP Funds

Benefit Comparison

Benefit	Must be Paid Back?	Specific Use Only?	Taxable Income?
HHS Stimulus	No	Yes	Yes
PPP Loan	No	Yes	Yes
EIDL Loan	Yes	No	No
Payroll Tax Deferral	Yes	No	No
EPSL/EFMLA Tax Credits	No	Yes	Yes*
Normal Operating Revenue	No	No	Yes

Planning Considerations

- Once you understand which funds can be used for what expenses, you can better strategize how to allocate your resources
- Maximize your spending from each of the special funds before dipping into normal operating funds
- Examples:
 - If you have staff out due to COVID, pay them under EPSL
 - If you have special COVID-related payroll expenses such as hazard pay, those can be paid with HHS Stimulus funds instead of PPP Loan funds
 - You can pay rent and utilities from PPP Loan funds, but not any other special funds, just normal operating funds

Polling Question 1





Create a Stronger Financial Picture



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Financial Position

- Do you have high-interest debt that you can pay off?
 - Credit cards
 - Line of credit
 - Bank or car loans
- Do you have cash saved to cover at least one full month of expenses with no additional revenue coming in if needed?
- Are you receiving timely and relevant financial data to make knowledgeable decisions?

Banking Relationships

- Having a solid banking relationship – with an actual individual banker, like a REAL person – is critically important
- PPP Loan ordeal taught us what not having that relationship can do to a business:
 - Wells Fargo, Chase, Bank of America: Shut out of PPP Loan application process due to their size and volume of applications
- Spend the time and energy to find and develop a solid banking relationship

Evaluate and Enhance Your Back Office

- Consider ways to improve your back office capabilities
- When back office worries are removed, you can focus on patient care
- Examples of areas to review for possible improvements
 - Remote work capabilities: Are these dialed in?
 - Paperless solutions: Can your staff work remotely ?
 - Cloud technologies
 - Outsourced services
 - Eliminate unnecessary redundancy and effort

Invest in Upgrading Your Operations

- Be smart with your money and use it in ways that will either generate additional revenue or increase efficiencies in all you do to “do more with less”
- Ideas include the following:
 - Billing systems
 - IT solutions and/or technology upgrades
 - Marketing and branding
 - Company culture
 - Employee appreciation
 - Vehicles and office equipment

Polling Question 2



We're here to help

- We are always available to assist agencies with consulting and advisory services, but especially through this public health emergency

- Visit our website:

- Knight CPA Group

www.knightcpagroup.com

- Contact us directly:

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Pandemic Recovery Series: Next Event

- Knight CPA Group, HealthCare ConsultLink, and DLA Piper thank you for attending today's webinar
- Session 5 (7.30.20)
 - Legal Aspects of Pandemic Recovery
 - Privacy and cybersecurity, congressional focus and the CARES Act, shareholder payout and corporate governance issues, contract performance, and fraud and abuse
- For registration support, call 888.258.1894 or email info@hc-link.com
- Visit the webinar series website for more detailed information:
<http://www.hc-link.com/pandemic-recovery-webinar-series>

Questions??

