

EMERGENCY CASH FLOW PLANNING

STROUDWATER'S CALL TO ACTION IN RESPONSE TO COVID-19

Updated 4/3/2020 2pm with changes from previous version shown in red

- **Immediate recommended/preferred course:**

- Prepare financial projection, with an emphasis on projected cash flow
 - Immediately file for accelerated/advanced payments, which will support operations for next 90 days
 - Begin preparing information to support Public Health and Social Services Emergency Fund Grant
 - Incremental costs of COVID-19 patients
 - Lost revenue due to deferring elective services
 - If applicable, reach out to local Small Business Administration (SBA) lenders and begin process of gathering information to support Paycheck Protection Forgivable Loan program
 - Critical Access Hospitals (CAHs) to prepare interim cost report and submit to Medicare Audit Contractors (MACs)
 - File updated Medicare rates with Medicare Advantage plans
 - Negotiate PIPs (Periodic Interim Payments) with third-party payers
 - **Work with bank to open and/or expand line of credit**
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- **All rural hospitals should immediately prepare cash flow projections.**

- 26-week financial projection that evaluates the impact of reduced elective/deferred services and potential increased services related to care for COVID patients
 - *Goal: quantify cash flow to determine timing of need for additional working capital*

- **Programs/options for improving immediate cash flow:**

- **Accelerated/Advanced Payments**

- Intended to provide necessary funds when there is a disruption in claims submission/processing or offered in circumstances of national emergencies in order to accelerate cash flow to impacted healthcare providers
- Amounts (**based on 7/1/2019-12/31/2019 PS&R information**):
 - 100% of Medicare payment amount for a 3-month period
 - CAHs can request 125% of Medicare payment for a 6-month period
- Timing:
 - Receipt within 7 calendar days of receiving request
 - Request submitted to MACs using forms found on their websites
- Repayment:
 - For most providers, repayment begins 120 past receipt and expected to be repaid in full within 12 months **for CAHs and 3 months for others**
 - At the end of the 120-day period, 100% of claims submitted by the provider will be offset to repay the accelerated/advanced payment

- Hardship exceptions allowed if necessary
- Interest:
 - Interest free for first 395 days (one year plus 30-day notification period) for CAHs and 210 days (six months plus 30-day notification period) for others
 - Interest at 10.25% after 30-day notification period
- **Public Health and Social Services Emergency Fund (PHSSEF) Grants (\$100B)**
 - Note: American Hospital Association requesting grants of \$25K per hospital bed (\$23B)
 - Otherwise, Dept. of Health and Human Services (HHS) to review applications and make payments on a rolling basis to address immediate cash needs
 - Additional guidance forthcoming
 - Qualifying expenses include all non-reimbursable expenses attributable to COVID-19 including:
 - Building or retrofitting new Intensive Care Units (ICUs)
 - Increased staffing or training
 - Personal Protective Equipment (PPE)
 - Building of temporary structures
 - Foregone revenue from cancelled procedures
 - Secretary to establish a reconciliation process and payments will be returned if other sources provide reimbursement for expenses
- **Small Rural Hospital Improvement Program (SHIP) Grant (\$180M)**
 - Funding to be awarded to states through SHIP grant mechanism and amount to equal approximately \$90K per hospital
 - The intent of these dollars is to be broad and covers COVID related activities, so if the hospital can link purchases and activities to COVID-related needs, then it is allowable
- **Small Business Administration (SBA) Paycheck Protection Program (\$349B)**
 - Provides 100% federally guaranteed loans to small businesses that may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward
 - Program available through June 30, 2020 or *until funds made available are exhausted on a first come, first served basis*
 - Eligibility
 - Small business with fewer than 500 employees (full-time, part-time, and any other status) or otherwise meets the SBA's standard size
 - Tax-exempt nonprofit 501(c)(3) with fewer than 500 employees, or any other business
 - In operation on February 15, 2020 with employees and/or contractors

- Congress currently putting pressure on SBA to allow publicly owned rural hospitals and rural health clinics
- Loans
 - 2.5 times borrower's average monthly payroll costs, not to exceed \$10M
 - Note that payroll costs include salary, wages, vacation, payment for group healthcare benefits, and state and local taxes assessed on the compensation
 - Excluded costs include compensation of an individual in excess of an annual salary of \$100K, as prorated for the period 2/15/20-6/30/20
- Loan amount forgiven is equal to the amount borrower spent on the following during 8-week period beginning on date of loan origination:
 - Included costs (note that loan forgiveness cannot exceed principal):
 - Payroll costs
 - Interest on mortgage obligation
 - Rent on a leasing agreement
 - Payments on utilities
 - There is a reduction in loan forgiveness if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid
 - Loan forgiveness must be applied for through lender with application to include:
 - Documentation verifying number of employees, pay rates, Internal Revenue Service (IRS) payroll tax filings, etc.
 - Documentation on payments on covered mortgage, lease and utilities
 - Certification that documentation provided is true and in accordance with criteria
- Other provisions:
 - Waives borrow and lender fees; "credit elsewhere" test; and collateral and personal guaranteed requirements
 - ~~Maximum interest rate of 4%~~ The interest rate will be 1%
 - No prepayment penalties
 - Loan can be deferred by 6 months
 - Loan maturity is two years
 - 75% of loans proceeds shall be used for payroll costs

- **Economic Injury Disaster Loans (EIDL) & Emergency Economic Injury Grants**
 - Lower interest loans of up to \$2M, with principal and interest deferral available for up to 4 years to pay for expenses that could have been met had the disaster not occurred
 - Eligibility includes small business concerns (meeting SBA criteria) and private, non-profits

- **Enhanced COVID patient payments**
 - 120% for inpatients
 - 20% add-on for patient admitted with COVID-19 through duration of emergency period
 - Telehealth services
 - During emergency period, removes criteria that established patient and allows beneficiary to be seen in their home
 - Allows FQHCs and RHCs to act as distant sites
 - Discontinuation of Sequestration
 - Temporary lift of Medicare sequester from 5/1/20-12/31/20
 - Delay Medicaid Disproportionate Share Hospital (DSH) reductions
 - Delay the scheduled implementation of State DSH reductions through 11/30/20

- **CAH interim cost reports**
 - CAHs to prepare interim cost reports reflected reduced elective services/procedures so that cost-based rates are immediately reflected
 - Medicare Advantage (MA) plans notified immediately of new rates

- **Accelerated payments from third-party contracts**
 - Rural hospitals to immediately reach out to all commercial payers (including MA plans) requesting Periodic Interim Payments (PIPs)

Questions regarding the above summary and related management actions can be directed to:

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