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Non-Traditional Financing Sources for FQHCs during COVID-19 - Spotlight: Payroll Protection Program

As Of: 4/24/2020

Today’s Objectives

- Current State of FQHC Operations
- Results of PPP Applications
- Non-Traditional Financing Resources
- Sharing of Experiences
- Preparing for What’s Next
- Q&A/Resources

Today’s Contributors

- Colleen Meiman, NACHC
- Jonathan Chapman, Capital Link
- Allison Coleman, Capital Link
- Joan Bondi, HealthLinc (IN)

www.nachc.org
Non-Traditional Financing Sources for FQHCs during COVID-19 - Spotlight: Payroll Protection Program

Current State of FQHC Operations

Capital Link’s Initial Estimates for FQHC Revenue Loss

<table>
<thead>
<tr>
<th>Analysis of Revenue and Job Losses at Community Health Centers and Related Community Impacts Due to COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary Results:</strong> Absent immediate remedies, CHCs are projected to lose $3.2 billion in revenue over the three-month time period. These losses will deplete the minimal reserves of health centers. The table below estimates the percentage of CHCs that will exhaust 100% of their operating reserves, forcing the closure of sites and services, and the related job losses at health centers. The table also shows the additional percentage of centers that will have less than 30 days in reserve; these centers may struggle to remain open. The analysis further estimates the percentage that will sustain operating deficits, which may limit these centers’ abilities to respond to the current public health crisis. Health center closure and job losses also ripple through local economies, resulting in additional lost revenue and jobs, compounding the crisis in communities that can least afford it.</td>
</tr>
<tr>
<td><strong>National Totals</strong></td>
</tr>
<tr>
<td>Total # CHCs</td>
</tr>
<tr>
<td>1,365</td>
</tr>
<tr>
<td>Total Revenue Loss - CHCs and Community</td>
</tr>
</tbody>
</table>

March 21 - [http://www.caplink.org/covid-19](http://www.caplink.org/covid-19), 330 funded centers only

Current State of FQHC Operations

COVID-19 Impact on Health Center Visits, Revenue, and Jobs Over 6 Months

34 Million Fewer Visits  $7.6 Billion in Lost Revenue  100,500 Lost Jobs

Non-Traditional Financing Sources for FQHCs during COVID-19 - Spotlight: Payroll Protection Program

Current State of FQHC Operations

330 Funded Health Centers

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Center Weekly Visits Compared to Pre-COVID 19 Weekly Visits</td>
<td>51.21%</td>
</tr>
<tr>
<td>Health Center Sites Temporarily Closed</td>
<td>1,904</td>
</tr>
<tr>
<td>Staff Tested Positive for COVID-19</td>
<td>707</td>
</tr>
<tr>
<td>Health Center Staff Unable to Work (due to site/service closure, exposure, family/home obligations, lack of PPE, etc.)</td>
<td>14.03%</td>
</tr>
<tr>
<td>Average Percent of Health Center Visits Conducted Virtually</td>
<td>52.78%</td>
</tr>
</tbody>
</table>

As of April 17 - 1,032 respondents


Look-Alike Health Centers

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Health Center Weekly Visits Compared to Pre-COVID 19 Weekly Visits</td>
<td>52.64%</td>
</tr>
<tr>
<td>Health Center Sites Temporarily Closed</td>
<td>0</td>
</tr>
<tr>
<td>Staff Tested Positive for COVID-19</td>
<td>3</td>
</tr>
<tr>
<td>Health Center Staff Unable to Work (due to site/service closure, exposure, family/home obligations, lack of PPE, etc.)</td>
<td>6.39%</td>
</tr>
<tr>
<td>Average Percent of Health Center Visits Conducted Virtually</td>
<td>58.19%</td>
</tr>
</tbody>
</table>

As of April 17 - 36 respondents


Non-Traditional Financing Sources

- **Stimulus #1 – Phase One - March 6th** for Emergency Health Funding
  - March 12th – SBA announces economic injury disaster assistance loans
  - March 24th - HRSA announces $100 million for FQHCs (330 funded centers only)
- **Stimulus #2 – Phase Two – March 18th** - Families First CoronaVirus Response Act, Individual Relief
- **Stimulus #3 - Phase Three – March 27th** - CARES Act
  - April 3rd – Paycheck Protection Program (PPP) through SBA and Main Street Lending Program
  - April 8th - HRSA announces $1.3 billion for FQHCs (330 funded centers only)
  - Included extension of Section 330 mandatory funding for FY20
  - $100 billion Provider Relief Fund – initial $30 billion dispersed based upon previous Medicare billing
- **Stimulus #3.5 – April 23rd** House Approves $484 billion to aid small businesses, health, and testing
  - $310 billion new funding to PPP – of which $60 billion is for smaller lending institutions
  - $60 billion additional SBA economic injury disaster loan relief
  - $75 billion in additional funding to public health and social services
  - $25 billion to expand Covid-19 testing – $600 million to 330 funded and Look-Alike health centers
- **Stimulus #4?**
Other Non-Traditional Financing Sources

- Distribution of initial $30 billion of $100 billion CARES Act Provider Relief Fund
- Federal Tax Credit for Emergency Paid and Family Leave
- Federal Tax Credits for Employee Retention
- Deferral of Employer Share of FICA
- Advanced Medicare Payment
- Expanded Unemployment Insurance for Fully & Partly Laid-off Staff
- FEMA Public Assistance Grants
- Telehealth Utilization and Reimbursement
- Telehealth Grant Program – through Federal Communications Commission (FCC)

PPP Survey

- Collaborating with NACHC, Capital Link developed and released a brief SurveyMonkey to assess FQHCs’ utilization of and experience with SBA’s Paycheck Protection Program (PPP)

- Survey link first sent to health center CFOs on April 14. Notification and link also provided to PCA leadership. Second request sent on April 21.

- As of April 23, 2020 there were 209 responses received (both 330 funded and Look-Alikes)

- https://www.surveymonkey.com/r/G2G56SS
PPP Survey Responses

As of April 22, 2020

PPP Survey Responses - Approved Amounts by State
As of April 22, 2020

- 95 approved applications – 55% of the 174 that had submitted to banks
- “In-process” as of date of survey response represents various stages of application process prior to SBA approval
- Of those 95, 89 represent $203 million; $2.28 million average per loan

PPP Survey Results

As of April 22

- 79 in-process applications – 45% of the 174 that had submitted to banks
- Of those 79, 69 represent $179 million; $2.51 million average per loan
PPP Survey Results

- Of those 207 responses

- ~30 did not apply due to various reasons such as the following:
  - Funding being depleted before application was prepared
  - Having 500+ employees
  - Expecting HRSA funding to be sufficient to fill revenue decline
  - Banks not having applications ready and/or delayed submission to SBA
  - Delayed access to application process
  - National banks not working with non-profits, and
  - Vague guidance from SBA and/or bank

PPP Survey Results

- Of those 207 responses

- ~80 applied and were in process (as of response date) and provided various feedback:
  - Vague (or no) guidance from bank or HRSA
  - Ended up applying at multiple banks due to varying challenges
  - Lenders’ uncertainty of process and forgiveness aspect, tech issues
  - Lenders provided quick turnaround on portals, approval process, documentation
  - Local/Preferred Lenders not participating
  - For profits were prioritized
  - Uncertainty on the NAICS number
  - Banks requested additional information
  - Lack of documentation/requests pertaining to non-profits
  - Multiple scopes of business or affiliates added to complexity
  - Worked with larger bank and got “lost” in their thousands of applications
  - Some banks had their own lending limits, and
  - Submitted doc to bank but was not submitted to SBA in time
PPP Survey Results

• Of those 207 responses

• ~95 approved – comments as of response date included:
  • Concerned about initial employee/$ calculations and forgiveness calculation to come later
  • Multiple submissions to banks due to changing guidance & calculations
  • Total process from submission to funding was just 48 hours
  • Had to switch banks after initial poor service & response
  • Long, unclear process but funded
  • Slow to start – finish was much easier/quicker
  • More steps and documentation required than stated in guidance
  • Approved but not yet received funding
  • Large banks too busy – small banks confused – medium banks were better
  • Easy because local bank was proactive and prescreened us, and
  • Challenge communicating directly with SBA on specifics

Sharing of Experiences

• Typically SBA works with for-profits

• Nearly 80 percent of the small businesses that applied for a loan were still waiting for an answer as of April 17

• One small Philadelphia bank processed 750 PPP applications from both customers and non-customers totaling $300 million

• As of April 16 (when funds were exhausted), there were 1,661,367 PPP loans for $342 billion from 4,975 lenders

• Average PPP loan size was $206,000

• Health Care represented 183,542 loans for $39.9 billion
### Sharing of Experiences

#### Timeline for PPP Loan

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>March 30th</td>
<td>CFO reached out to 1st Source Bank</td>
</tr>
<tr>
<td>April 1st</td>
<td>Bank sent CFO application with note stating they will start processing April 3.</td>
</tr>
<tr>
<td>April 3rd</td>
<td>SBA issued revised application. Application returned to Bank and received confirmation at 5 pm that loan was in process.</td>
</tr>
<tr>
<td>April 6th</td>
<td>Bank informed CFO loan was approved.</td>
</tr>
<tr>
<td>April 13th</td>
<td>Received Promissory Note paperwork and returned same day.</td>
</tr>
<tr>
<td>April 15th</td>
<td>Money in HealthLinc's Bank Account</td>
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</tbody>
</table>

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**Joan Bondi, Chief Financial Officer**

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**Sharing of Experiences - HealthLinc**

<table>
<thead>
<tr>
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<tbody>
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<td>5999</td>
<td>HealthLinc, Inc</td>
<td>621610</td>
<td>35-xxxx</td>
<td>427</td>
<td>24,402,483</td>
<td>20,373,525</td>
<td>1,697,794</td>
<td>4,244,434</td>
<td>1,602,792</td>
<td>1,607,364</td>
<td>1,629,380</td>
<td>1,681,851</td>
<td>1,620,792</td>
<td>1,607,364</td>
<td>1,629,380</td>
<td>1,681,851</td>
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<tr>
<td>Total:</td>
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<td></td>
<td></td>
<td></td>
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<td>1,629,380</td>
<td>1,681,851</td>
</tr>
</tbody>
</table>

**Detail provided for every number**

<table>
<thead>
<tr>
<th>Employee ID</th>
<th>Cost Center 1</th>
<th>Cost Center 2</th>
<th>Employment Type</th>
<th>Employment Status</th>
<th>Full Time Equivalency</th>
<th>Total 12 Month Wages</th>
<th>Capped 12 Month Wages</th>
<th>Monthly Average Wages</th>
<th>Anticipated Loan Amount</th>
<th>March 2019</th>
<th>April 2019</th>
<th>May 2019</th>
<th>June 2019</th>
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<tbody>
<tr>
<td>001</td>
<td>01 - Knox</td>
<td>01 - Medical</td>
<td>RFT</td>
<td>A</td>
<td>A</td>
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<td>100,000.00</td>
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<td>01 - Medical</td>
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<td>40,630.43</td>
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<td>3,544.28</td>
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<tr>
<td>004</td>
<td>01 - Maharaka</td>
<td>04 - Administrative</td>
<td>RFT</td>
<td>A</td>
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<td>13,002.34</td>
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<tr>
<td>061</td>
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<td>04 - Administrative</td>
<td>RFT</td>
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<td>40,319.17</td>
<td>40,319.17</td>
<td>3,378.85</td>
<td>2,830.72</td>
<td>2,816.64</td>
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<tr>
<td>Total:</td>
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</tr>
</tbody>
</table>
Preparing for What’s Next - Stimulus 3.5, etc

- The $484 billion “Stimulus 3.5” bill recently passed by Senate and House.
  - $310 billion new funding to PPP – of which $60 billion is for smaller lending institutions
  - $60 billion additional SBA economic injury disaster loan (EIDL) relief – continues option for $10,000 cash advance/grant
  - $25 billion to expand Covid-19 testing – of which $600 million to 330 funded and Look-Alike health centers
  - $75 billion in additional funding to public health and social services

- The initial $30 billion distribution of the $100 billion Provider Relief Fund (CARES Act) was linked to a provider’s previous Medicare revenue. To address some disparities in that approach, the upcoming $20 billion distribution is being allocated so that the overall $50 billion ends up being based on net patient revenue in 2018 from all sources. Providers will submit their revenue information through a HHS portal at https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html. Although all recipients must submit the information, some will get payments before doing so based on cost data that HHS already has on file. Payments will begin processing Friday, April 24.

- HHS indicated skilled nursing facilities, dentists and providers that only serve Medicaid patients will also be eligible for shares of the $100 billion.

Preparing for What’s Next

- Main Street Lending Program
  - Main Street New Loan Facility and Main Street Expanded Loan Facility
  - Up to 10,000 employees
  - Can also participate in the PPP
  - Minimum loan of $1 million, four-year maturity, not forgivable
  - Cannot use to repay other loans

- Reimbursement for COVID-related treatment for the Uninsured
  - Sign up period begins April 27 https://www.hrsa.gov/coviduninsuredclaim
  - Begin submitting claims May 6 (retro to Feb 4)
  - Reimbursement begins mid-May

- Stimulus #4 likely to consider state and local governments, infrastructure investment, tax incentives, payroll tax cuts
Preparing for What’s Next

A few tips...

• There are a lot of PPP applications in some banks’ queues; CONFIRM your application status
• Reach out to your bank(s) NOW and ask specific questions
• Recent PPP guidance stipulates that borrowers must certify in good faith their loan request is necessary
• Have on hand
  • Business name, address and contact information
  • Company formation documents or details of business’s legal organization, structure and ownership
  • 2019 tax returns, as well as previous two years if available
  • Payroll reports
  • Mortgage or rent documents
  • Documentation of utility expenses
  • Proof your business is active and in good standing
  • Documentation of how the coronavirus pandemic has negatively impacted your business
  • Business credit file is updated


“I have questions.”

• The PPP’s $100,000 per employee max includes what?
• What is “double-dipping” with HRSA 330 funds?
• Are there any PPP eligibility exceptions for FQHCs with 500+ employees?
• How much of my PPP loan amount can I use for expenses besides payroll?
• Can I apply for more than one PPP loan?
• Other?
More Questions?

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301-906-5958

Jonathan Chapman
Chief Project Officer
jchapman@caplink.org
970-833-8513

Resources

• NACHC COVID Page http://www.nachc.org/coronavirus/

• Capital Link COVID Page http://www.caplink.org/covid-19


• HRSA BPHC COVID Page https://bphc.hrsa.gov/emergency-response


• PPP Borrower Application Form https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf

• PPP Eligible Lender Search Tool https://www.sba.gov/paycheckprotection/find

• Capital Link PPP Survey https://www.surveymonkey.com/r/G2G56S5
Non-Traditional Financing Sources for FQHCs during COVID-19 - Spotlight: Payroll Protection Program


- Centers for Disease Control Coronavirus (COVID-19) resources page – includes strategies for optimizing the supply of PPE.
- Centers for Medicare and Medicaid Services (CMS) FAQs – includes information on diagnostic lab services and hospital services.
- NACHC’s Coronavirus webpage – information, event postings, and resources for health centers; NACHC also manages the resources below.
- Consolidates information from many sources in an easily-searchable format; enables health centers, PCAs, and HCCNs to share info and questions. To join, contact Susan Hansen at [shansen@nachc.org](mailto:shansen@nachc.org).

Finance Office Hours for Health Centers During COVID-19: Everything FQHC Medicare!

Featuring: Corrine Axelrod of CMS

April 28, 2020 2 pm EDT

Sign up now