

A close-up photograph of a human eye, showing the iris and eyelashes, is visible in the background of the right half of the slide. The image is slightly blurred and has a dark blue overlay.

Keeping the Doors Open in a Pandemic: Practice Financing and Relief Funds

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medicine, business & life



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Agenda

1. Health Catastrophe Creating an Economic Catastrophe
2. Federal Small Business Financial Assistance Programs
3. Federal Health Care Provider-Focused Assistance Programs
4. Expense Minimization Strategies
5. What's Next?

Health Catastrophe Creating an Economic Catastrophe

Totality of Pandemic Exceeds Economics

February 18th

“Our base case is that the virus does not become a full-blown pandemic, and that the short-term economic impact is noticeable but manageable.”

—Sam Bullard, Managing Director, Wells Fargo

April 8th

“We are facing a human crisis unlike any we have experienced” and our “social fabric and cohesion is under stress.”

—Amina J. Mohammed, UN Deputy-Secretary General

April 28th

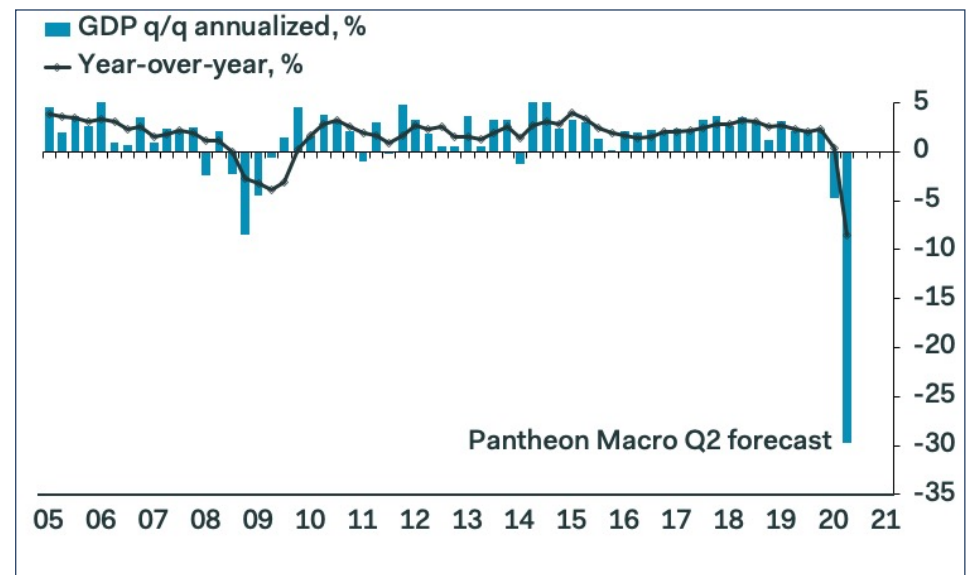
“We aren’t going to just pick up where we left off. Social distancing is incompatible with the kind of economy we have always known.”

—John Mauldin, Economist

Health Catastrophe Creating an Economic Catastrophe

Totality of Pandemic Exceeds Economics

COVID-19 and the pursuant shutdown measures created an extreme drop in economic activity, with unprecedented pace.

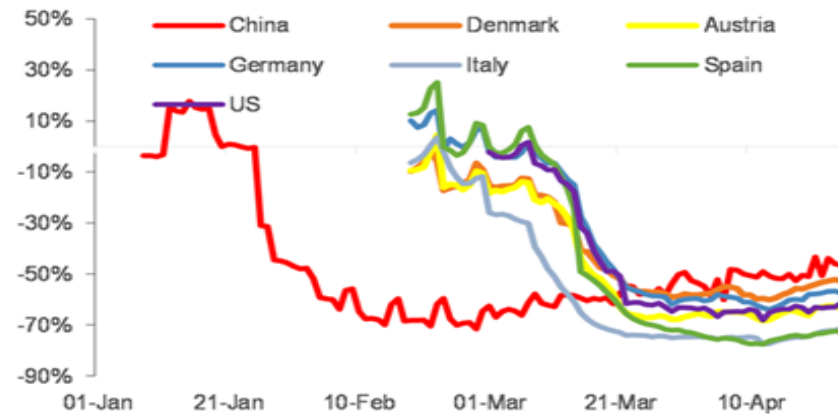


Health Catastrophe Creating an Economic Catastrophe

Disastrous Global Economic Impact

Chart 3: Alternative data show slow improvement as lockdowns are eased, but through higher mobility as leisure and flights stay subdued

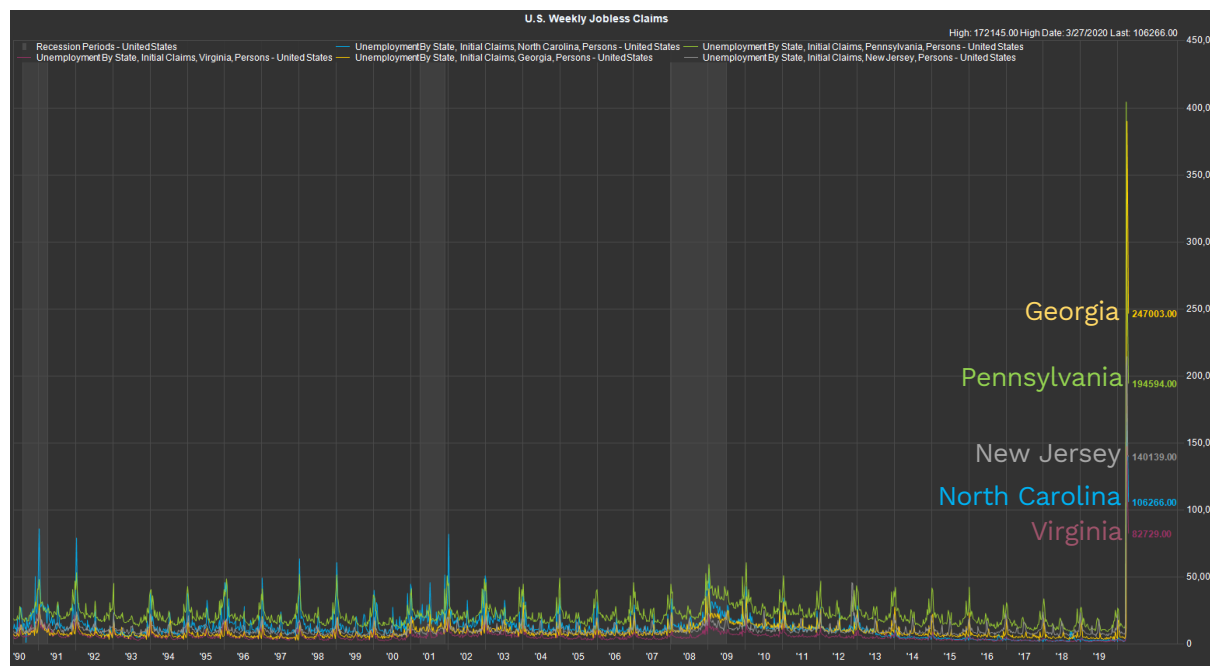
JPM composite of daily alternative data sources. Composite is an equally-weighted average of metrics tracking a) flights; b) leisure (restaurant reservations, box office revenues); c) mobility; and d) energy consumption. Depending on data availability the underlying metrics expressed as % change relative to previous year/years or % change relative to level in weeks preceding COVID outbreak in each area.



Source: J.P. Morgan

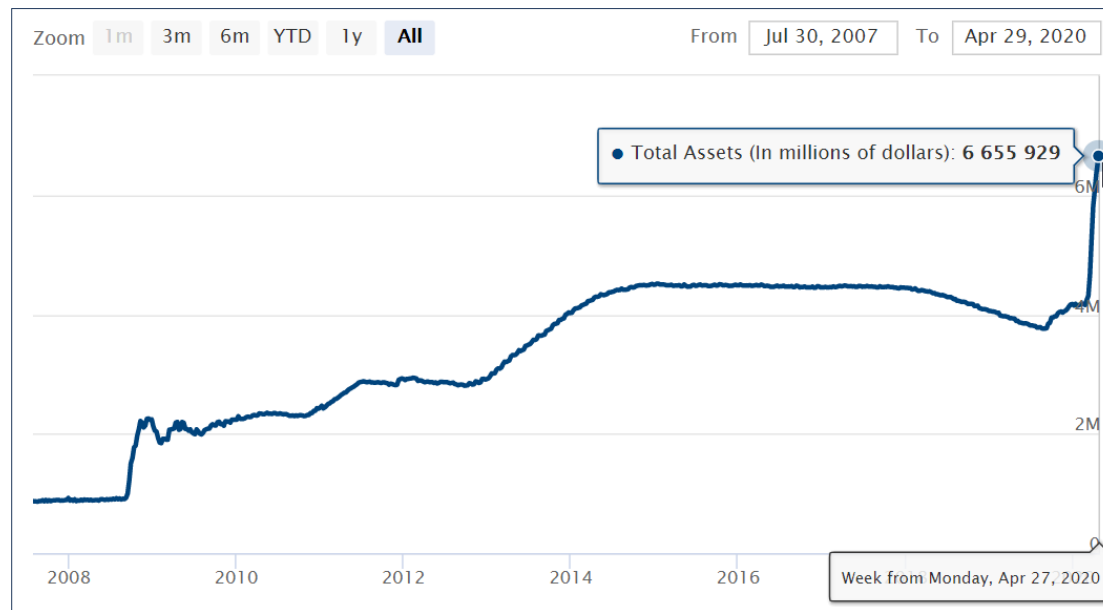
Health Catastrophe Creating an Economic Catastrophe

U.S. Weekly Jobless Claims



Health Catastrophe Creating an Economic Catastrophe

Unprecedented Federal Reserve Balance Sheet Expansion in Response to COVID-19 Crisis



https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

Relevant CARES Act Financial Relief/Aid Programs

» Main Street Loan Facilities:

- Main Street New Loan Facility
- Main Street Priority Loan Facility
- Main Street Expanded Loan Facility

» SBA Programs:

- Paycheck Protection Program
- Economic Injury Disaster Loans (EIDL)—*currently only available to agricultural companies*

» Business Tax Measures

Main Street Lending Programs

- » Designed to help small or medium-sized businesses that are too large for the PPP program or don't qualify for other relief programs
 - **Eligible businesses:** Up to 15,000 employees or up to \$5B in revenue. Attestations as to COVID-19 impact required. Must be US companies and have material US operations. Certain restrictions on how funds can be used (no stock buybacks, capital distributions, HCI payroll ceilings).
 - Lender retains 5-15% participation, loans are not forgivable
 - Up to \$600B in total capacity

Main Street Lending Program Terms

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	\$500,000	\$500,000	\$10,000,000
Maximum Loan Size*	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA	The lesser of \$200M, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA
Risk Retention	5%	15%	5%
Payment (year one deferred for all)	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

CARES Act Programs through the SBA

- » Paycheck Protection Program
- » Economic Injury Disaster Loans—*currently only available to agricultural companies*
 - EIDL Emergency Advance
 - SBA Express Bridge Loans

Paycheck Protection Program

- » Forgivable loans up to \$10M if used for eligible expenses (at least 75% for maintaining payroll)
- » Eligibility:
 - Less than 500 employees
 - Attestation that funds are needed to maintain employees as a result of COVID-19
- » Proceeds available are 2.5x average monthly payroll (with exceptions)
- » 1% interest rate on any unforgiven loans

EIDL (Economic Injury Disaster Loan)

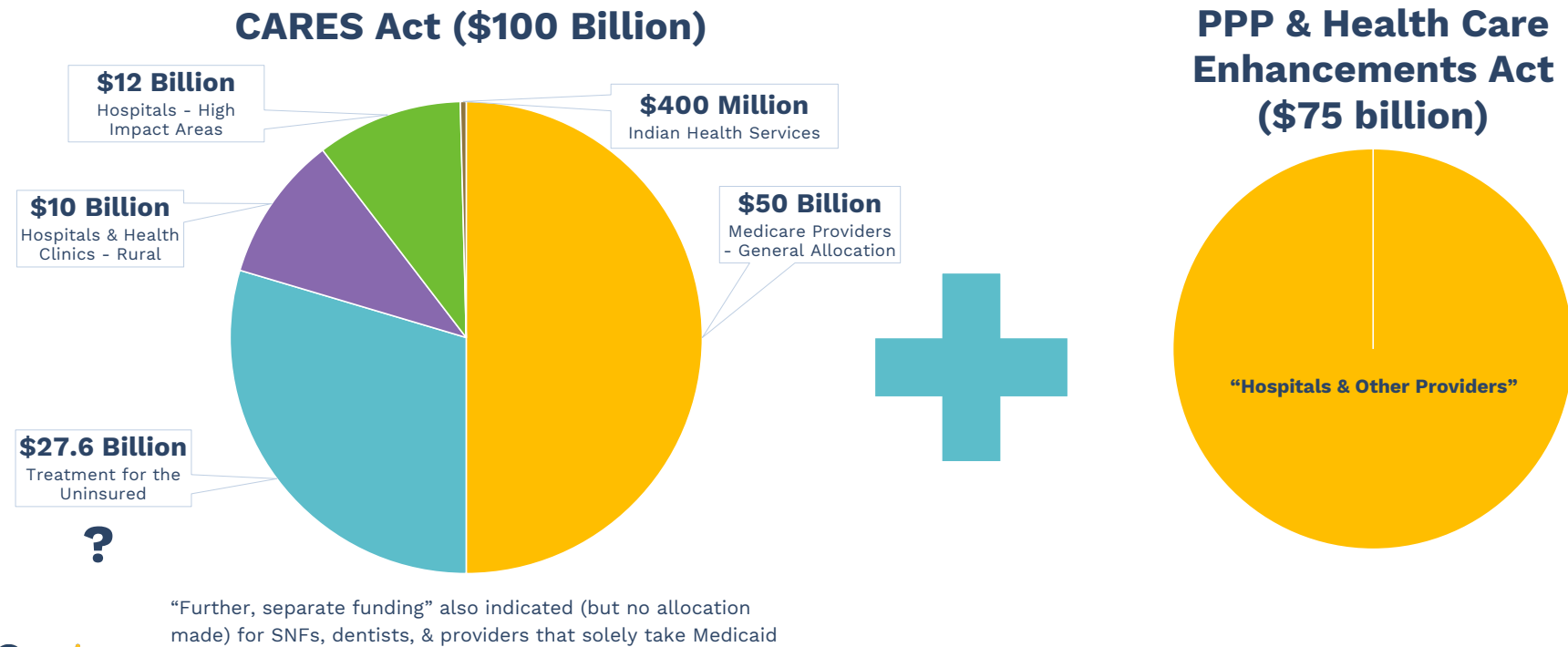
- » Longer term, non-forgivable loans
- » Up to \$2M available based on demonstrated actual economic injury as determined by SBA
- » 3.75% fixed rate loans, terms up to 30 years
- » Emergency Advance of \$10K (essentially a grant)
- » Eligible businesses must demonstrate harm from COVID-19
- » Less restrictive on uses than PPP

SBA Express Bridge Loans

- » Designed for small businesses who have an established relationship with an SBA Express Lender to quickly access up to \$25,000
- » Used to help with financial need while applying for an EIDL Loan
 - Fast turnaround
 - Will be repaid in full or in part by proceeds from the EIDL Loan

Federal Health Care Provider-Focused Assistance Programs



Provider Relief Fund



Federal Health Care Provider-Focused Assistance Programs

Provider Relief Fund

General Allocation to Medicare FFS Providers—\$50 Billion

Overall Payment Estimate  **2018 Program Service Revenue**  **\$50 Billion**

\$2.5 trillion

- » **Round 1 (\$30 Billion)**—Automatic distribution based on share of total 2019 Medicare FFS payments (all funds distributed)
- » **Round 2 (\$20 Billion)**—Additional distribution based on submission of revenue information to HHS portal (ongoing, rolling distribution)
- » Recipients must sign attestation confirming receipt & agreeing to Terms & Conditions—No Balance Billing; recipient info to be made public

Provider Relief Fund

Targeted Allocation—Treatment for the Uninsured

» COVID-19 Uninsured Program

- Testing (\$2 billion—from FFCRA & PPP Act)
- Treatment (estimated \$27.6 billion from CARES Act Provider Relief Fund)

» Providers must enroll as participant in new HRSA-operated program to bill for services

- Enrollment portal open (Apr. 27)—must sign attestation
- Claims submissions open (May 6)—may submit claims for services provided on or after Feb. 4
- Reimbursements begin (May 18)—most reimbursement will be at Medicare FFS rates

Medicare Accelerated and Advance Payment Program

- » Practices could request up to three months of Medicare payments in advance
- » CMS approved almost 24,000 applications and advanced \$40.4 billion in payments to Part B suppliers
- » CMS suspended program for Part B suppliers on April 26



Other Health Care Funding

» Temporary Suspension of Sequestration Cuts

- 2% Medicare FFS increase

» Telehealth Expansion

- More patients eligible to receive services
- More types of services billable to Medicare
- Removal of geographic restrictions
- Payment increases (& cost-sharing waivers)
- Audio-only encounters



CARES Act Tax Relief

- » Tax filing deadlines and estimated tax payment due dates delayed
 - Filing date for individuals delayed from 4/15 → 7/15
 - 4/15, 6/15, and 9/15 quarterly estimated business taxes delayed to 10/15
- » Refundable credit against employer portion of social security taxes equal to 50% of eligible wages from 3/13—12/31/2020 up to a maximum of \$10K per employee. Credit is available to any employer for any quarter impacted by COVID-19.
- » Can carry back NOLs up to five years

Rent Relief

- » Requests for rent reduction, deferral, and/or lease term restructuring much more likely to succeed than forgiveness.
 - Example: 60-90 days of deferral, then 12-month recoupment period, then adding 3-6 months of term extension
- » Consider offering to pay enough to cover landlord's fixed costs
 - Usually \$7-8/square foot
- » Be prepared to substantiate hardship

What's Next?

Depends on Virus & Political Will

- » Many virus-related unknowns (transmissibility, severity)
- » Vaccine creation & effectiveness
- » Competing priorities
 - Politics vs. economics vs. public health
- » Ongoing federal and state economic stimulus



Questions?



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