

# COVID-19 FINANCIAL RESPONSE STRATEGY

Session 3: “Extending the Runway” - Bringing it all Together

Presented by: Peter R. Epp, Joanne McNamara, Dolores DiRe

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CohnReznick LLP





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- Call in **on your telephone**, or use your **computer audio option**
  - **Only use one audio-source** to avoid feedback or an echo.
- **If you are on the phone, you must enter your Participant ID** so you can raise your hand and we can unmute you.

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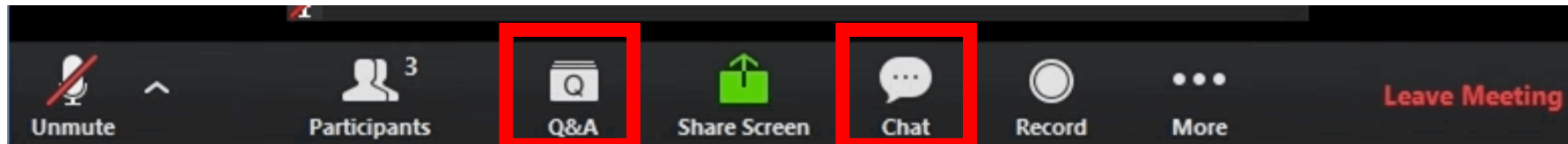
Test speaker and microphone

Automatically join audio by computer when joining a meeting





# HOW TO ASK A QUESTION



## Prefer to write?

Type in the chat box or use the Q&A function. Both are located at the bottom of your screen. Please indicate if you would like us to reference the questions as anonymous.

You can choose who to send a chat or question to.



## Prefer to talk?

“Raise your hand” and we will unmute you **and then you will be prompted to unmute yourself** to ask your question to the group. Feel free to turn video on.





# TODAY'S SPEAKERS



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# GOALS FOR THIS ECHO SERIES

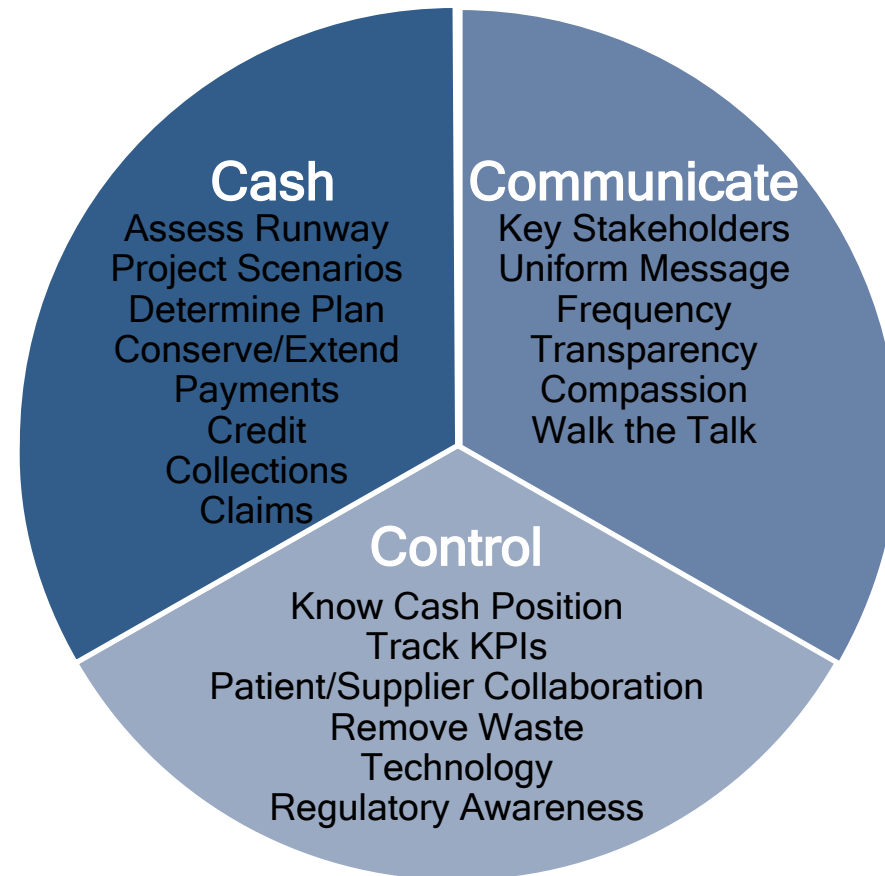
- ☑ 2-page COVID-19 Financial Response Primer Document - “Rapid Response” to the financial impact of the COVID-19 outbreak - NOW, NEXT, NEW
  - Provide a framework for evaluating/responding to the business impact caused by COVID-19
- ☑ ECHO Session #1 - Extending the Runway: Weekly Cash Flow Projections
  - Offer a framework for “weekly” cash flow projections and begin to discuss actions to mitigate the financial stressors for your business
- ☑ ECHO Session #2 - Extending the Runway: Leveraging Government Stimulus/Relief Efforts
  - Review new levers created by recent Government developments/relief efforts relevant to the Behavioral Health industry
- ☐ ECHO Session #3 - Sustaining the “New” Normal
  - How to pull the levers to “Extend the Runway” and common concerns/obstacles





# ACT "NOW" TO MANAGE UNCERTAINTY

## Triage Tools Require Focus

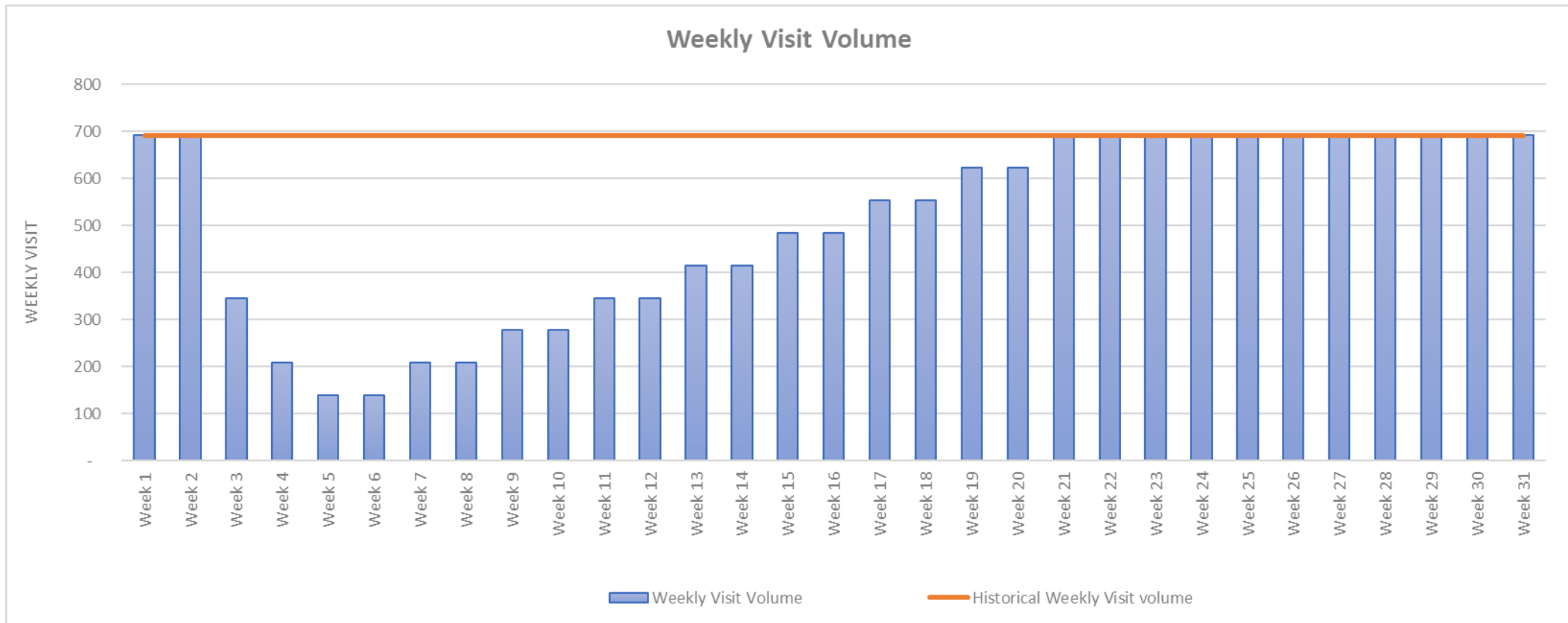






# WEEKLY PROJECTIONS – VISITS

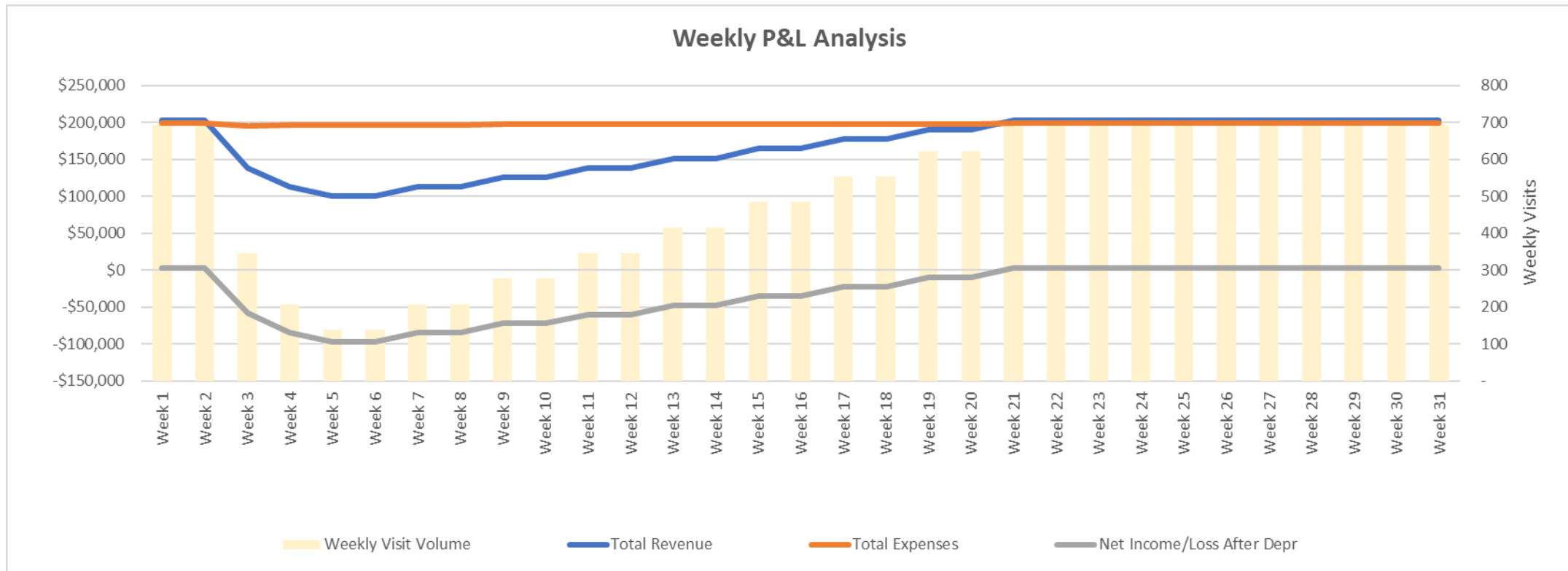
- Session #1 “Re-Hash” - Analyzing weekly visit volume





# WEEKLY PROJECTIONS – PROFIT & LOSS

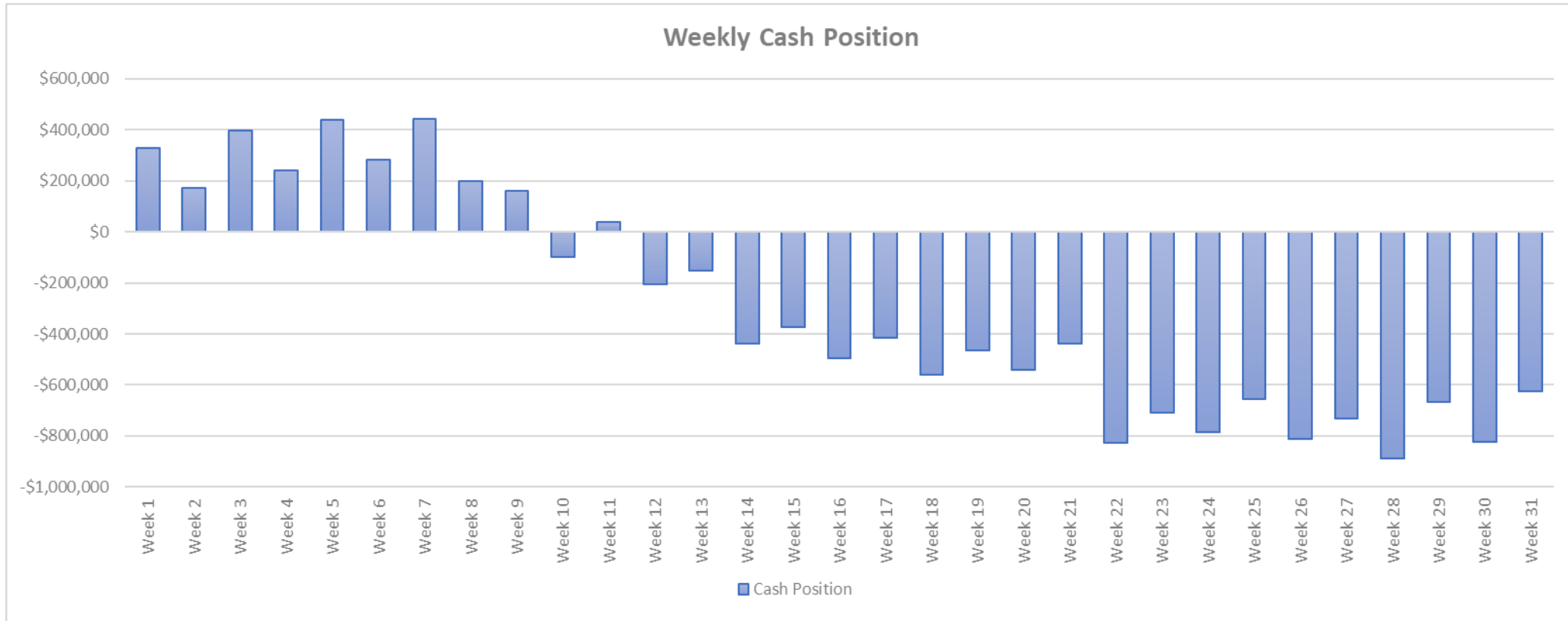
- Session #1 “Re-Hash” - Analyzing Weekly P&L





# WEEKLY PROJECTIONS – CASH POSITION

- Session #1 “Re-Hash” - Analyzing Cash Flow





# WEEKLY PROJECTIONS – HOW BIG IS THE HOLE? (EXAMPLE)

- Pre-COVID Baseline
  - 36,000 face-to-face visits; no telehealth
  - \$10,000,000 operating budget
  - Operating margin = 1.3%
- COVID Disruption on Financial Performance
  - Overall visit drop of 5,000 visits over an 18-week period (41% drop from baseline)
  - 18-week operating loss of \$1M created by volume drop
  - \$250K cash balance, pre-COVID (9 days cash on hand) wiped-out 8 weeks after COVID hits
  - Cash sinks to negative \$800K before positive net cash flows are projected
- What “levers” to pull to create \$1M of cash to sustain operations and sustain cash reserves?





# “NOW” – LEVERS PULLED

- “Permanent” plugs to the hole (\$255,000)
  - Telehealth - Implement telehealth at higher levels in short-term reducing to a % remaining post-COVID = \$150,000
  - Terminations (right-sizing)\* = \$55,000 for 18-weeks (\$200,000 annualized)
  - Furloughs (long-term staff retention)\* = \$50,000 for 18-weeks (\$200,000 annualized)
  - One-time grant opportunities???
- Credit extensions (\$285,000)
  - Advances on line-of-credit = \$150,000
  - Vendor payment plans - \$135,000 deferrals
- PPP loan\* = \$500,000

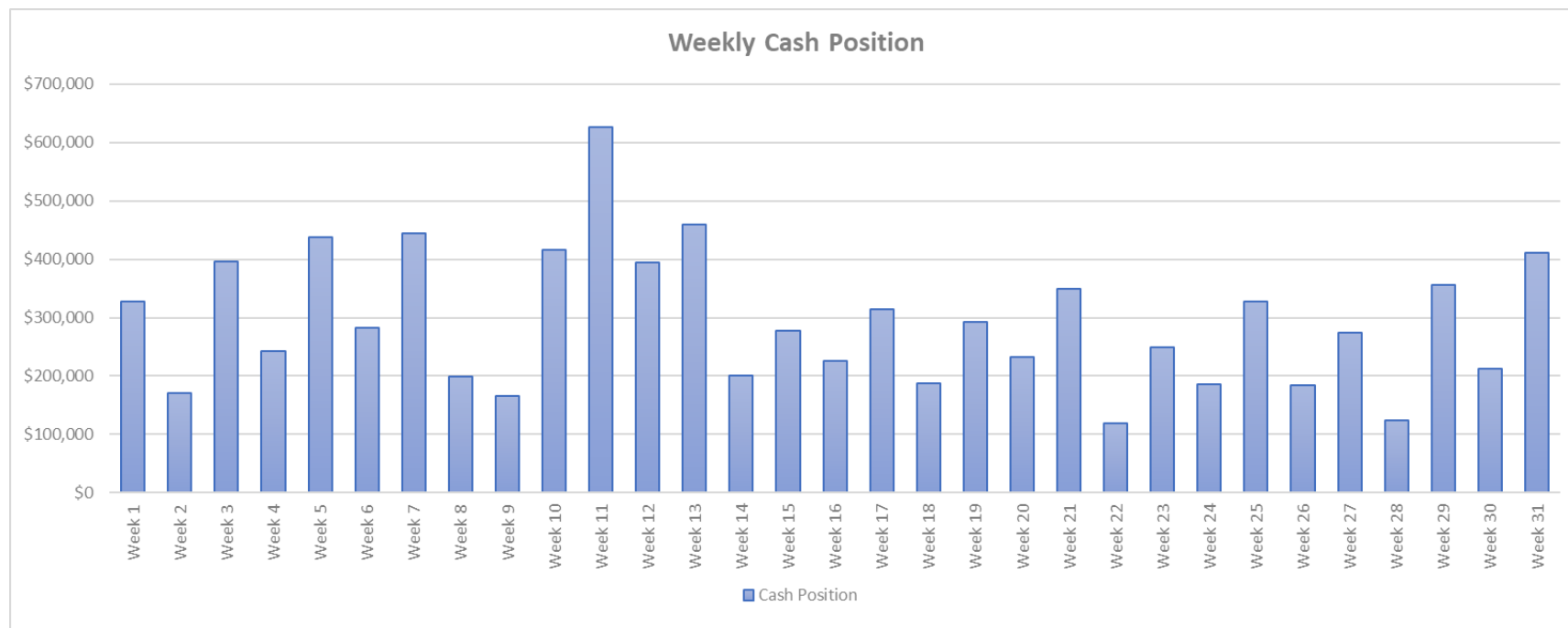
\* How do staffing decisions impact PPP loan forgiveness and employee retention credits?





# "NOW" – LEVERS PULLED

- New cash flow projection - with **\$785,000** of debt/extended credit to be repaid!
  - Debt reduced if more one-time, non-refundable funding/grants received
  - If PPP loan forgiven, only \$285,000 to be repaid out of future surplus!





# “NOW” – CONTROL

- Monitor visits on a daily/weekly basis
  - By service/site
  - Payer Mix
  - Face-to-face versus telehealth
- Monitor cash balances on a daily/weekly basis
- Monitor Key Performance Indicators (KPIs) on a weekly basis
- Compare to original weekly cash flow projections; update with new actual and course correct
- Projected balance sheets and manage debt covenants/debt accumulation
- Stay abreast of government stimuli and regulatory developments





# "NOW" – CONTROL

- Sample Key Performance Indicators:

	Actual	Budget	Variance
Face-to-face visits			
Telehealth visits			
<b>TOTAL VISITS</b>			
Weekly Cash Collections			
Weekly Cash Disbursements			
<b>CASH SURPLUS/(LOSS)</b>			
<b>CASH POSITION</b>			
Days Cash on Hand			







# MOVING TOWARDS “NEXT” - TRANSITION

- Stay current!
- Track lost revenue, selected personnel metrics (salary cost/number of employees) and other information to access specific funding opportunities/tax credits
  - PPP loan forgiveness
  - Tax credits
- Think about compliance!
  - Double-dipping on various government relief/funding
- **Begin to think about the “Next” phase of the COVID-19 Financial Response Strategy**
  - 12-18 month projections and debt repayment
  - Begin to think about operations under the “new” normal
  - Collect information on telehealth and its impact on future operations and finances





# MEDICARE TELEHEALTH CONSIDERATIONS

- Technology Requirements - EHR access, phone line, video, ensure adequate broadband connectivity.
- Waivers and Flexibilities
  - Distant Site
  - Physician Supervision requirements: Services requiring direct supervision by the physician or other practitioner, that physician supervision can be provided virtually using real-time audio/video technology
  - List of Medicare Telehealth Services - Group psychotherapy and Testing evaluation services
  - Community Mental Health Centers - Temporary expansion locations to provide partial hospitalization and other services in patients' home. - **NEW** -
  - Audio-Only Services E&M services, and behavioral health counseling and educational services - **NEW** -

Source: <https://www.cms.gov/files/document/summary-covid-19-emergency-declaration-waivers.pdf> [cms.gov]





# MEDICARE WAIVERS & FLEXIBILITIES

Covered Audio-Only Services for PHE – Added 4/30/2020 (Partial List)	
90785	Psytx complex interactive
90791	Psych diagnostic evaluation
90792	Psych diag eval w/med srvcs
90832	Psytx w pt w e/m 30 min
90845	Psychoanalysis
90853	Group psychotherapy
96156	Hlth bhv assmt/reassessment
99441-99443	Phone E&M

Source: <https://www.cms.gov/Medicare/Medicare-General-Information/Telehealth/Telehealth-Codes>





# MEDICARE TELEHEALTH CONSIDERATIONS

- Appropriateness and standard of care
- Coding and Modifiers (-95 telehealth)
- Documentation practices - Include notations specific to the modality, time and consent to provide care via telehealth/telephonic.
- Accelerated/Advance Payments - 4/26 CMS is reevaluating all pending and new applications and suspended future payment amounts
- Stay informed
  - Center for Medicare and Medicaid Services
    - <https://www.cms.gov/About-CMS/Agency-Information/Emergency/EPRO/Current-Emergencies/Current-Emergencies-page>
  - Medicare Administrative Contractors
    - <https://www.cms.gov/Medicare/Medicare-Contracting/Medicare-Administrative-Contractors/Who-are-the-MACs>
  - National Council for Behavioral Health
    - <https://www.thenationalcouncil.org/covid19/>





# MEDICAID TELEHEALTH CONSIDERATIONS

- Financial modeling - transition to telehealth services

	Telehealth Modality			Total
	Face-To-Face	Audio-Visual	Audio-Only	
<i>Pre-COVID Pandemic:</i>				
# of Visits per Week	1,000	-	-	1,000
Reimbursement Rate	\$120.00	\$0.00	\$0.00	\$120.00
Weekly Reimbursement	\$120,000	\$0	\$0	\$120,000
<i>COVID-Pandemic:</i>				
# of Visits per Week	300	200	200	700
Reimbursement Rate	\$120.00	\$60.00	\$20.00	\$74.29
Weekly Reimbursement	\$36,000	\$12,000	\$4,000	\$52,000
<i>Reimbursement Decline</i>	<i>(\$84,000)</i>	<i>\$12,000</i>	<i>\$4,000</i>	<i>(\$68,000)</i>
<i>% Decline</i>	<i>-70.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>-56.67%</i>





# MEDICAID TELEHEALTH CONSIDERATIONS

- Medicaid is a state-specific reimbursement program - EACH STATE IS DIFFERENT
- Items to evaluate when modeling transition to telehealth
  - Patient eligibility
  - Distant site requirements (location of provider)
  - Originating site requirements (location of patient)
  - Technological requirements
  - Documentation requirements
  - Allowable billable provider types
  - Reimbursement rates
- Medicare/Medicaid Dual-Eligible Patients
  - State's alignment with Medicare telehealth requirements
- Collect data for future telehealth policy and reimbursement advocacy





# MONITORING USE OF FUNDS

- Monitor funding streams to ensure that you are not “double dipping,” or receiving funding from two different sources for the same activity
- Document all expenses that will be covered by each funding source
- Work with existing funders (e.g. Federal grants, State contracts, etc.) to figure out how to re-budget or re-allocate funds to maximize usage of COVID-19 response funding
  - Is there opportunity to increase the % of staff time covered by existing sources outside of the PPP covered period?
  - Is there opportunity to use COVID-19 response funding to cover costs that may be excluded from your existing funding sources (e.g. administrative staff, fringe benefits, etc.)?
  - Is there opportunity to utilize PPP loan for the eight-week period and defer payments/expenses in other funding opportunities for the following weeks?
  - As a last resort - is there opportunity to extend/rollover the funding period for your grant/contract to maximize leverage of COVID-19 response funds?





# MONITORING USE OF FUNDS

- Example: Building a Template to Monitor Staffing Allocation

## Considerations

- Monitoring PPP cap for forgiveness terms (use of salary below \$100,000 on a pro rata basis)
- Monitoring grant or contract salary caps
- Communicating with funders to adjust percentage of time/effort on grants or contracts to ensure staff are appropriately spread across funding sources

Employee Name	Funding per Source					Total Annual Salary
	PPP Loan	Federal Grant	State Contract	Foundation Funding	Operating Funds	
Employee 1	\$ 15,384	\$ 197,300			\$ 12,316	\$ 225,000
Employee 2	\$ 15,384	\$ 99,616			\$ -	\$ 115,000
Employee 3	\$ 11,538		\$ 60,000		\$ 3,462	\$ 75,000
Employee 4	\$ 9,231	\$ 10,769	\$ 40,000			\$ 60,000
Employee 5	\$ 6,923		\$ 18,077	\$ 20,000		\$ 45,000

Employee Name	% of Salary Allocation					Total % of Staff Cost
	PPP Loan	Federal Grant	State Contract	Foundation Funding	Operating Funds	
Employee 1	7%	88%	0%	0%	5%	100%
Employee 2	13%	87%	0%	0%	0%	100%
Employee 3	15%	0%	80%	0%	5%	100%
Employee 4	15%	18%	67%	0%	0%	100%
Employee 5	15%	0%	40%	44%	0%	100%







# DOCUMENT ELIGIBILITY/FUND USAGE

## SBA Paycheck Protection Program (PPP) Loans

- Section 1102 of the CARES Act required applicants to make a **good faith certification**
  - That the “[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”
- Borrowers may be asked to substantiate their need for relief - what does this mean?
  - Could include preparation of a budget, cash flow analysis/projections, or other documentation that can indicate impact on future revenue or other impact due to COVID-19 and would support a good faith certification
- SBA has announced that it will review all loans in excess of \$2 million, in addition to other loans as deemed appropriate, following the lender’s submission of the borrower’s loan forgiveness application
  - Guidance on this will be forthcoming
  - SBA has given borrowers until May 7 to return funds without penalty





# MONITOR CONDITIONS FOR FORGIVENESS

## PPP Forgiveness

### (1) Use of Funds

- At least 75% of funds must have been used for payroll costs
- The remaining 25% of funds may be used for interest on mortgages, rent, and utilities
- Eligible usage for forgiveness calculation is reviewed over an eight-week period - which begins on the date the lender makes the first disbursement of the PPP loan to the borrower

### (2) Compliance with Employee and Wage Retention Standards

- Monitoring reduction of FTEs per month during the eight-week period compared to prior period
- Monitoring reduction to salaries and wages greater than 25% for employees that, in any pay period in 2019, received wages or salary at an annualized rate of pay in an amount more than \$100,000
- The Act allows for restoration of certain FTEs or salaries/wages by 6/30 - effect of this restoration in calculation of loan forgiveness will be clarified when further guidance is issued





# MONITOR CONDITIONS FOR FORGIVENESS

Example - PPP Forgiveness: FTE maintenance during the eight-week period

Average number of Full-Time Equivalent Employees\* Per Month during the Eight-Week Period

**Option 1**  
Average number of Full-Time Equivalent Employees\* Per Month During Period from 2/15/19 to 6/30/19

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OR

**Option 2**  
Average number of Full-Time Equivalent Employees\* Per Month During Period from 1/1/20 to 2/29/20

Seasonal Employers must use Option 1

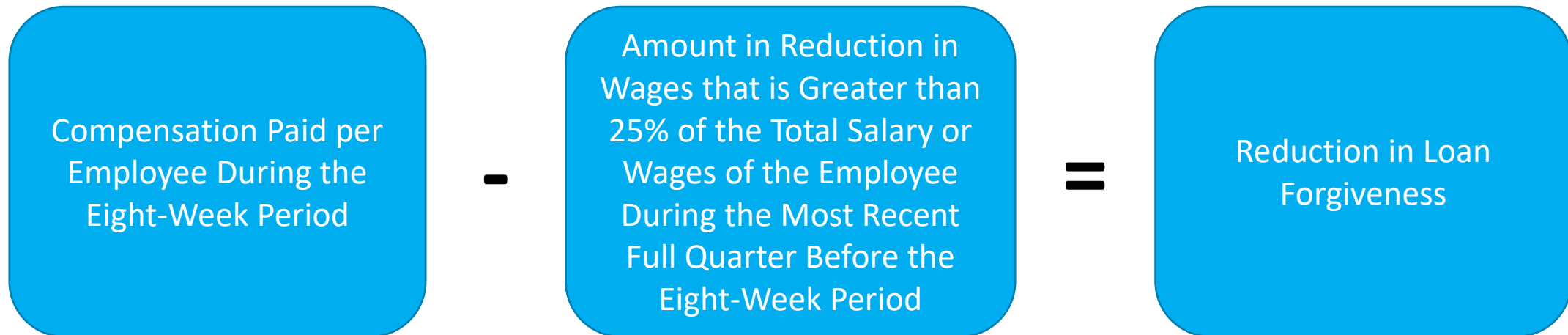
*Full-Time Employee is one employed on average at least 30 hours per week. Full-Time Equivalent refers to a combination of employees who, in combination, are counted as the equivalent of a full-time employee*





# MONITOR CONDITIONS FOR FORGIVENESS

Example - PPP Forgiveness: Salary and Wage maintenance during the eight-week period



Exclude from Wage Reduction Calculation employees who received, during any single pay period in 2019, wages at an annualized rate of pay more than \$100,000





# MONITOR CONDITIONS FOR FORGIVENESS

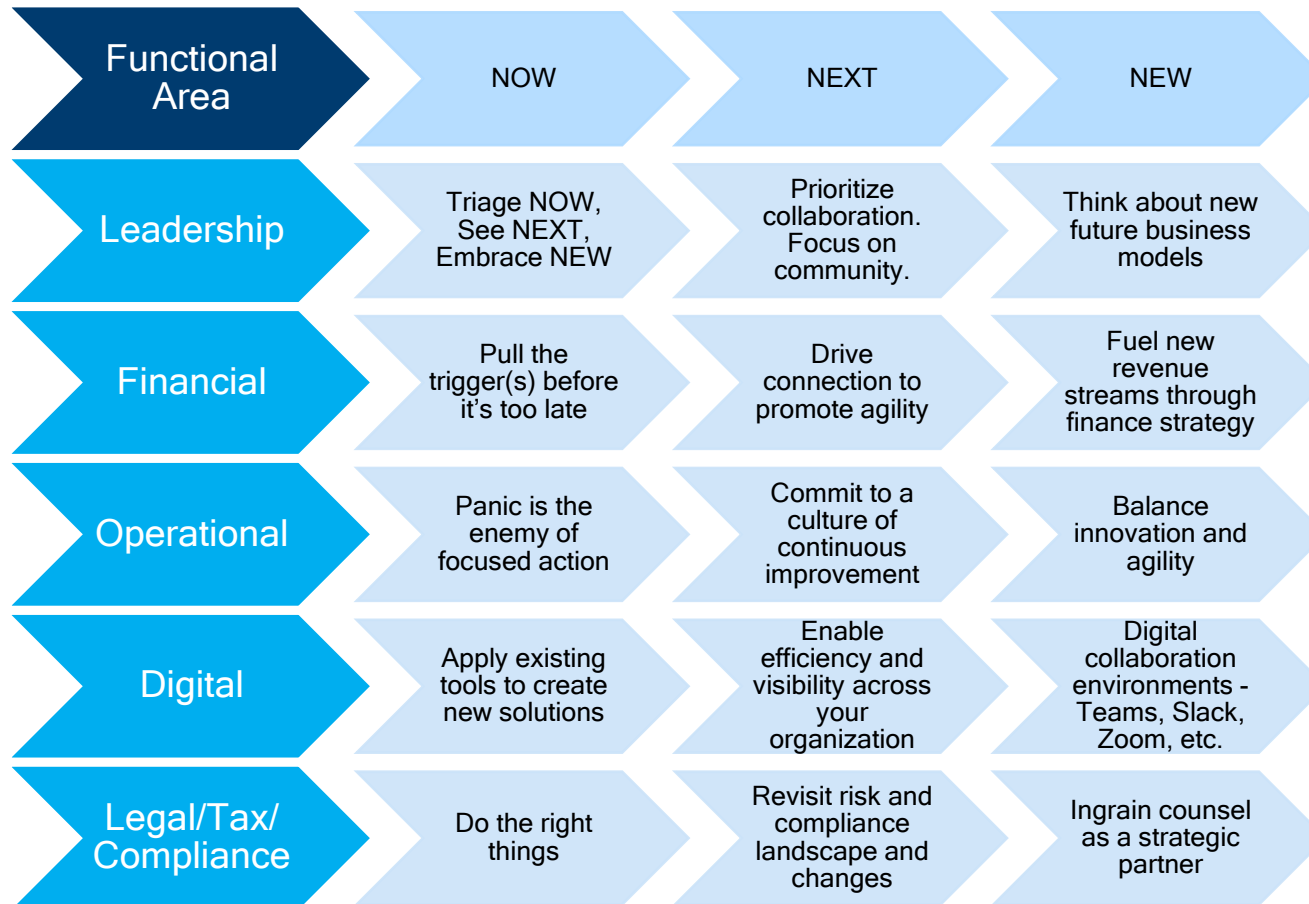
## Additional Considerations:

- Provision to restore FTE and wage reductions made between February 15, 2020 and April 26, 2020 by June 30, 2020 will impact forgiveness
  - Calculations will be clarified in additional guidance that will be forthcoming
- As of 5/3, SBA has confirmed that PPP loan forgiveness will not be impacted if employer offers to rehire employees that were laid off, but employees decline offer
  - SBA and Treasury intend to issue additional rules excluding laid-off employees who were offered rehire at the same salary/wages and same hours and such employees declined
  - Forthcoming rules will include further specifications, but the offer of rehire must be written and the employee's rejection must be documented by the borrower
  - Note that this may impact employee eligibility for unemployment compensation





# NOW. NEXT. NEW. FRAMEWORK



## IMPLEMENTING THE NOW. NEXT. NEW FRAMEWORK

**Step 1:** Take action **NOW** with a **Rapid Assessment** to identify your urgent needs and focus priorities.

**Step 2:** Strengthen your position with **NEXT** steps that enable your organization to grow and transform.

**Step 3:** Uncover the potential to help you thrive in a **NEW** future.



# VOICES FROM THE FIELD





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# DISCUSSION & Q&A





# NEXT STEPS

Please complete a brief post webinar survey immediately following this webinar!





# BEFORE WE GO

We care deeply about the Behavioral Health Community and that includes all of you. We wish you, your teams, your families and the patients you serve all the best and are here for you.

**STAY SAFE!**





THANK YOU



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