Gervean Williams (00:00):

Thank you for your service. All you guys out there on the front line, we want to be sure we are providing the tools and resources you need to see through through these tough times. To that end, NACHC and our partners at BKD have produced a five week series of podcasts to assist you in managing your fiscal solvency. During these times. Please take a moment to listen afterwards, provide any questions or comments to me at trainings@nachc.org your feedback is invaluable today. I'm your host or being Williams. I'm the director of grants financial training and technical assistance. We're on our second podcast. We're speaking with David Fields, who's a partner at BKD based out of Springfield, Missouri. Hi David. How are you today?

Gervean Williams (00:42):

Hi Gervean. Doing very well. Yourself?

Gervean Williams (00:45):

I'm doing well. Thanks for asking. Okay, let's go ahead and jump into the questions. So David, how does a SPA slash pay check protection program affect any other grants like the HRSA grant?

David Fields (00:57):

Well, it definitely does affect those other grants, Gervean that some may interpret it as doing it indirectly. The primary impact on all the other grants including HRSA, is that the expectation is that the portion of the small business administration, paycheck protection program loans, expenditures that are forgiven are not eligible to be charged as an expense or another grant program. The phrase that everybody's hearing now is double-dipping or really charging an expense to two different programs effectively paying for those expenses twice. This, this will mean that for many programs where the grain expenditures have limited flexibility, that CHCs will need to continue to use those grant funds to pay for those expenditures rather than charge those expenses to the SBA PPP program. And there'll be other programs where there's some flexibility and a CHC may shift or rebudget expenses paid by a grant outside of the eight week SPA PPP calculation period.

Gervean Williams (01:56):

So why would there be any relations to the SBA loan and the HRSA grants related to payment of salaries?

David Fields (02:03):

Well, Gervean, since salaries and benefits make up about two thirds of the average CHCs budgets, they're the most common expenses charged to rehearse a grant. If these are forgivable expenses under the SBA PPP program, there's a significant risk of that double-dipping we were talking about. There's still something important for CHC to realize. The small business administration paycheck protection program cover salaries up to a hundred thousand dollars so just understanding that are rated would be $1,923 a week, but the federal grant salary cap covers salaries up to 197,300 that's the 2020 salary cap, which would be 3,794 per week. Kind of to illustrate that, if we had a physician who made $250,000 a year, a CFC could charge $1,923 a week to the SBA PPP program during the eight week window at least that program, and then charge the differential.

David Fields (03:02):

The 1,871 to a HRSA grant, the remaining $1,013 out of that $4,807 a week, that's, that's what 250,000 would be on a weekly basis, wouldn't be eligible for either program.

Gervean Williams (03:18):

Are their financial criteria. That determines whether you can be approved for the loan. For an example, do you have to show cash needs such as low cash on hand?

David Fields (03:27):

So you know, this has been an area of concern for many applicants for the small business administration, paycheck protection program loans. And I can understand really why they feel that way. In talking about this with a CHCs that I've had a chance to visit with, I've really directed people to look at the specific criteria for the program that's laid out in the law. And then the application process. The most relevant area is when it says that the current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.

David Fields (04:01):

Now, the small business administration continues to update their frequently asked questions. I was just looking at this today, the may six version question 31 gives us a little bit of insight. It says that in that response that quote, borrowers must assess their economic need for a PPP loan under the standards established by the cares act and the PPP regulations at the time of the loan application. So you know, when it says at the time of the loan application, this gives me a little bit of comfort that there's not going to be necessarily a changing a wholesale in what those requirements are, but also to maybe calm some of the health centers concerns. Note that specifically in the context of that it references publicly traded companies and I think it's reasonable to assume that really it's those big capital rich organizations that are sort of the focus of that.

David Fields (04:55):

So you know, I encourage CHCs to continue to monitor the regulations that are in authority over the program for clarification so that we can kind of keep an eye on that. However, I would know that the key elements of this program is going to be the disruption of services and the reduction of revenues from operations. There's not a specific requirement listed that a CHC must spend all their cash reserves before applying for the loan or having funds forgiven. So cash does matter. But I think you can, you can really focus on the lost revenues, a state mandated suspension of services or disruption of services. And utilizing the funding to retain employees is really the key components of your compliance. And to give you comfort that maybe if you have a lot of cash on hand, you can still access these funds.

Gervean Williams (05:42):

And how does the current financial position impacts the amount that can be forgiven?

David Fields (05:48):

So I think in overall what we're going to look at is just back to that expenditure spaces for, for what's going on with the program. Making sure that we are tracking what those expenses are and, and showing, you know, what were the extra expenses we had associated with the COVID situation. And what were the expenditures, what did we spend all of those, those loan funds or the grant funds on.

Gervean Williams (06:20):

So if a health center takes the emergency was sick, leave, pay credit, would that make them ineligible to take the payroll protection loan or other credits or grants?

David Fields (06:29):

So you know this has been something that's been confusing for a lot of community health centers because many of these programs are available during this period of time are really either or programs and so you know I'm going to talk specifically about the emergency paid family leave act and some of the guidance is out there on that, but if there's a different program then make sure that you look for whether that's either or, because that is a common thing that's out there that the emergency paid family leave act is not an either or program related to the small business administration paycheck protection program.

David Fields (07:02):

The caution however is still that there's that risk of double-dipping that we've talked about a couple of times because that's still not permitted. You may charge the cost of the family medical leave to one program or the other, but just not to both programs at the same time. Practically speaking, I think many community health centers are using the emergency pay and family leave act before and after the SBA paycheck protection program, eight week window and relying on the SBA PCP loan forgiveness program. During that eight week window. The word of caution in that approach would just be that as of May 8th we're still waiting for more guidance on the forgiveness calculation and any potential reductions in that loan forgiveness calculation that could happen.

Gervean Williams (07:44):

Thanks so much for that. So what's the best way to track the payroll documentation? So there's going to be several different elements that go into this.

David Fields (07:52):

The expectation in general is that you track it through the general ledger and the payroll system. I recognize practically speaking, that may look different for different community health centers. If you're going to use a system that's outside of the general ledger and the payroll system, look, you're talking to a CPA. So like a spreadsheet. The key is going to be how you trace the documentation back to the source records and show that the costs were not counted twice. So for supplemental documentation like spreadsheets, this must be utilized to supplement the documentation and not replaced the general ledger and the payroll systems. I've just seen too many spreadsheets that are far to summarize there, to really suit a regulator. It should say more than just, Hey, we had a hundred thousand for salaries, but it needs to be something that we can trace back to the source materials and say whose salaries, what rent and for which invoices were really accounting and referencing the records should be reconciling those salaries between all the programs to show that they're only counted once. That's really the vital and key expectation in whatever the tracking mechanism. But specifically payroll.

Gervean Williams (08:55):

The last question I have for you this afternoon is what are some of the common misconceptions about the SBA PPP loan?

David Fields (09:02):

Well, you know, Gervean I'm glad you asked that. I'd mentioned earlier that the salaries are only eligible to a hundred thousand dollars. I think some, some people are expecting that all salaries are going to be covered, but I just remind everyone that it's not just that it's at a hundred thousand but it's that prorated amount. So you know, the joke I've told people is, is if we were thinking about paying a hundred thousand over an eight week period, that really be employees who were making more than $650,000 a year. And you know, we talked about that definitely that $1,923 a week. And those are misunderstanding is I see a lot of you management teams who believe the loan is guaranteed to be a hundred percent for difficult, forgivable or forgiven.

David Fields (09:44):

And I've really just been stressing to them that the forgiveness calculations different from the loan application calculation, we're still waiting on the small business administration for a formal calculation of the forgiveness. I think, you know, the biggest struggle overall was with the program is just waiting for that more detailed guidance about how that forgiveness may play out, what the reductions might be in that forgiveness. So it may not be a misconceptions as so much as just a concern that potential head count production. So how's that going to work? And just a better understanding of that. If there's any wages that maybe are lower during this time and they were proceeding the pandemic, then could there be a reduction in those and they valued the potential expenses that are forgiven. And that's certainly possible. We're just sort of waiting on, on what that clarified guidance will be.

Gervean Williams (10:34):

Well, David, thanks so much for that valuable information and thanks for taking time out of your day and thanks for everything that you just support community health centers out there. You stay safe and take care.

David Fields (10:45):

Thanks for Gervean, it was my pleasure.