American Academy of Family Physicians (AAFP)

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COVID-19 is challenging our healthcare system. America is in financial Crisis! Millions of Americans are out of work. Physician practice revenues are declining, and many practices are unable to make payroll and/or pay monthly operating expenses. As a medical practitioner or a small business/practice owner – what do I do? Immediately shift into a ***Crisis Management*** mode.

Leadership | Stabilize Your Business | Find Emergency Funds | Plan Your Recovery

Decisive Leadership and ***Management*** are a must in this environment!

What should I do to and how do I do it?

Keep the doors open; plan and manage cash; prepare a 13-week cash flow projection; protect employees; start immediate dialogue with bankers; make sure accountants know about deferred tax payments and extended tax filing dates (available under the CARES Act); and get help if unsure about what to do and how to do it.

Bring revenue into the practice in the next 6-8 weeks and beyond; reorganize workflow to protect staff and patients seen; proactively call patients for appointments; and aggressively implement telemedicine.

1. **COVID-19 Legislation – Key Takeaways:** There are three parts to COVID-19 legislation so far; *Phases I, II,* and *III*. *Phase 3.5* – Tuesday afternoon, April 21st, the Senate passed the $484 billion *Phase 3.5* bill, officially called the Paycheck Protection Program and Health Care Enhancement Act. This bill replenishes the Paycheck Protection Program (PPP). Noteworthy modifications require portions of the PPP to be administered by community banks and serve underserved communities and restores the Small Business Administration's (SBA) emergency loan program.

   In addition, there is significant funding available for hospitals, set forth in a somewhat different manner from the conditions set forth in the CARES Act for the original hospital-based relief program. There is also $25 billion for the expansion of COVID-19 testing, with multiple allocations and set-asides within these allocated funds.

   $75 billion is available for hospitals through HHS. These funds are available until expended. Once HHS releases applications, they will be reviewed on a rolling basis. Recipients will be required to submit reports and maintain documentation to ensure compliance; funds cannot be used to reimburse other expenses or losses that have been reimbursed from other sources.

The following provisions apply to various situations and are not inclusive of the full provisions of each Phase.

- *Phase I, P.L. 116-123*, known as the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, was enacted into law March 6, 2020 and provides $8.3 billion in emergency funding for federal agencies to make telehealth services available to Medicare recipients, address affordability of vaccines developed for coronavirus, and ensure that SBA Economic Injury Disaster Loans (EIDLs) are available to affected small businesses. *Phase I* also establishes a $20 million "Disaster Loans Program Account" to provide money to small business owners in the form of low-cost SBA loans to help overcome the economic impact of COVID-19 on their business. Note: SBA defines a "small business" as a business having 500 employees or fewer in one location.

- *Phase II, P.L. 116-127*, the Families First Coronavirus Response Act (FFCRA), became law March 18, 2020. The Congressional Budget Office estimates that FFCRA will cost $192 billion, most of which will arise in 2020-2021. The funding addresses coronavirus-related matters such as testing for coronavirus, support for paid family and medical leave, food assistance, unemployment benefits, and enhanced employer-provided protection for healthcare workers.

- *Phase III, P.L. 116-136*, the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law March 27, 2020, provides direct payments to individual taxpayers and their dependents, expanded unemployment benefits, student loan forbearance, loans for small businesses, and much more. *Phase III* also offers tax credits to small businesses and allows them to defer paying payroll taxes so they can continue paying employees. $349 billion was allocated for the PPP loans to businesses having 500 or fewer employees. These loans are designed to cover eight weeks' payroll or basic operational expenses and are forgivable if the borrower retains and continues to pay its workers. It was announced on Thursday, April 16th that the $349 billion allocated funds had been committed and that *Phase III* loan applications no longer were being accepted. $350 billion in loans were made to 1.5 million small businesses in three weeks (America has approximately 38 million small businesses).

- *Phase 3.5* provides for an additional $310 billion for PPP loans. This bill focuses on increased aid to small businesses, additional funding for hospitals, and expanded testing capacity. Other priorities, such as more funding for states and localities may be included in future rounds of aid.

  Note: PPP loan applications vary among banks; your banker can assist you with getting your PPP loan application process started. You may want to seek help from firms with knowledge of the PPP loan process to work with you and your bank to complete and file your loan application. **Do not delay** – **c**ontact your banker immediately about applying for a *Phase 3.5* PPP loan!

2. **CARES Act – PPP Loans**. The CARES Act provides for the PPP loans. Generally, a PPP loan can be applied for by a small business by selecting the 2019 calendar year (Jan 1, 2019 – Dec 31, 2019) or the 1-year period prior to the loan date (e.g., April 15, 2019 – April 15, 2020). If a practice doesn't immediately apply for a *Phase 3.5* - PPP loan, there may be no money left of the additional $310 billion *Phase 3.5* funding. *Phase III* loans were made on a ***'first come' – 'first serve'*** basis. It is likely *Phase 3.5* loans will be made on the same basis. Without the funds from PPP loans and/or EIDLs, practices will be left to fend for themselves to sustain operations through this COVID-19 crisis period.

3. **Rural Areas**. Healthcare in America's rural areas is in crisis – hospitals are closing in record numbers. Because of reductions in Medicare and Medicaid reimbursements, physicians and providers in rural areas are finding it more and more difficult to sustain their practices and make a living. Physician recruitment to these areas is more and more challenging. Rural hospitals, already under financial stress, will be ill prepared to deal with the care of COVID-19 patients as the pandemic spreads. Rural hospitals may not be able to keep their doors open when communities need them most.

   Telehealth is "here to stay" for rural and urban areas. A large number of rural communities lack strong internet access making telehealth clinical visits difficult, if not impossible. Many of the elderly use outdated technology, i.e., "flip phones", and lack knowledge on how to use their home computer and other devices for telehealth visits; many do not have access to a computer at all. Fast and reliable data networks are an integral element to modern rural health care.

4. **The New Norm**. Be nimble and ready to change methodologies and processes which will no longer work in your clinics. Be creative. Identify different methods to create new revenue streams. Be willing to take bold steps to update your business model. Seek help; do not go on this new "business/financial journey" alone. Ask for help from a business/financial advisory firm, if needed. Cash is *"king"*. Keep as much cash on hand as you can. Revaluate your operational expenses. Revaluate your vendor list. Cut costs where possible. When stabilization occurs, you can revisit the operational cuts you make today. Stabilization will vary from practice to practice, from hospital to hospital, and within each network. Use clinical analytics to identify COVID-19 patients. Use both EHR and claims data to identify the greatest costs within your payor contracts. Use this aggregated actionable data to manage cost. Revaluate your existing quality reporting strategy, as many rules already have been changed by CMS, NCQA, American Hospital Association, National Association of ACOs, etc.

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