

# Update on COVID-19 Legislation

## What Medical & Dental Business Owners Need to Know

This is a difficult time for so many, and physicians are no exception. We are hearing from clients across the board that volumes are down. Elective cases are cancelled, people are staying away from clinics and ERs for fear of exposure, and hospitals are incurring costs to ramp up capacity for what may come.

Physicians who aren't on the front lines are doing their part and flattening the curve as best they can, but the consequence is lost revenue for your practice and potentially lost income for you.

### The good news is:

1. Demand for all that elective stuff isn't going away, it is merely delayed. As this passes, volumes (therefore revenue) will ramp back up.
2. Recent legislation provides options to help you access cash to bridge the gap, some or all of which you will not have to pay back!

The purpose of this piece is to explain the two most recent pieces of legislation passed to address business issues surrounding COVID-19, in particular what applies (or may apply) to physicians and their practices.

## The Families First Coronavirus Response Act Passed on March 18, 2020; Effective April 1, 2020

*This legislation makes changes to sick leave (Emergency Paid Sick Leave Act) and FMLA (FMLA Expansion Act) for businesses and employees. The Act generally applies to employers with less than 500 employees. **It is unclear at this time whether healthcare providers (including dentists) and small businesses with less than 50 employees may be excluded.** We are waiting on the Department of Labor to clarify.*

### The Emergency Paid Sick Leave Act

Employers are required to provide an additional 80 hours of paid sick leave to full time employees (and part time employees as well based the proportionate time they work) who are taking sick leave specifically related to COVID-19.

If the employee is experiencing symptoms, has been advised by a doctor to self-quarantine, or is subject to a federal, state, or local quarantine order, they will be paid up to 2 weeks at their regular pay rate. Pay is capped at \$511/day and \$5,110 total.

If the employee is caring for a family member under quarantine orders or caring for children whose school or childcare provider has closed due to COVID-19, then they will be paid up to 2 weeks at 2/3 of their regular pay rate. Pay is capped at \$200/day and \$2k total.



### **The FMLA Expansion Act**

As long as an employee has been employed for 30 days and has not already exhausted FMLA, then FMLA leave can be accessed for up to 12 weeks of job-protected leave to care for a child whose school or childcare provider has closed due to COVID-19. The first 10 days are unpaid (the employee can use any vacation time to cover this if they choose), and then the remainder is paid at 2/3 the employee's regular pay rate. Pay is capped at \$200/day and \$10k total.

### **Tax Credits for Employers**

Tax credits are available to help employers offset the cost of providing the above benefits. You will receive quarterly credits for benefits provided that can be used to offset your social security taxes. If the credits are greater than the social security tax you owe, then you may receive a tax refund to cover the rest.

*Note: Self-employed Individuals may be entitled to FMLA pay and a refundable credit as well although it is a different calculation than above. Please discuss with your advisor.*

## **The CARES (Coronavirus Aid, Relief and Economic Security) Act Signed into Law on March 27, 2020**

*The CARES Act is a nearly \$2 trillion stimulus package to help individuals and businesses weather the financial implications of COVID-19. The Act is nearly 900 pages long – the below will give you the high points that may benefit your practice and employees.*

### **Paycheck Protection Program (Forgivable Loan)**

This loan opportunity through the SBA will help you “keep the lights on” for up to 8 weeks if needed, as long as you can honestly attest that the uncertainty of COVID-19 necessitates the loan. The loan amount is 2.5X your average monthly payroll of the last year up to a cap of \$10 million, and you can use the proceeds for payroll (not to exceed \$100k for any employee), health insurance costs, utilities, rent, mortgage interest, and interest on other debts. It is available for businesses (including medical/dental practice and outpatient clinics) with 500 employees or less, including self-employed.

As long as you maintain your payroll (do not fire employees or reduce their wages more than 25%), then this loan should be forgiven. And the forgiveness is not taxable! (If you already terminated or reduced employees, you can hire them back or increase their salaries by June and still qualify for at least partial forgiveness).

You must apply for this loan by June 30, 2020 through an SBA accredited lender. The rate is capped at 4% and you can do up to a 10 year repayment period. Payments can be deferred for 6-12 months.

### **Employee Retention Credit**

If your operations were fully or partially suspended due to a “shut-down order” related to COVID-19, or your revenue is down more than 50% when compared to same quarter last year, then you can get a tax credit for wages paid to your employees from 3/12/2020-12/31/2020. The credit equals 50% of wages up to a \$10k cap per employee.

*Note: This credit is not available if you use the Paycheck Protection Loan described above.*



## **Delay of Employer Payroll & Self-Employment Taxes**

To help with cash flow, employers (including self-employed individuals) can delay 50% of the employer portion of Social Security tax liability until 2021 and 2022. If you take advantage of this, you will be required to pay half of the amount owed by 12/31/2021 and the remaining half by 12/31/2022.

## **SBA Emergency Grant**

Small businesses may apply directly with the SBA to receive a disaster relief loan. The first \$10k will be issued as a grant that does not need to be paid back (and you actually don't have to apply for more than \$10k). These funds are estimated to be paid out very quickly (as fast as 3 days) and can be used to pay payroll and other debt obligations. We are seeing favorable terms on these loans.

Apply now directly at <https://disasterloan.sba.gov/apply-for-disaster-loan/index.html>.

## **Public Health & Social Services Fund**

The CARES Act allocates \$100 billion to the fund to "reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus."

Not all of this is well defined, and much will be at Secretary Azar's discretion (Dept. of Health & Human Services), but this is thought to include:

- Lost revenue due to cancellation of elective procedures
- Emergency room volume losses due to fear of exposure
- COVID-19 testing costs
- Supplies and PPE
- Leasing property for temporary additional capacity
- Retrofitting facilities
- Costs of quarantined physicians
- Additional staffing expenses and training
- Additional administrative paid time for medical director

We will see more information on this in time, but for now it would be a good idea to begin keeping records of cost incurred if you are not already.

We hope the above brings more clarity to the options available to you for your medical practice in light of recent legislation. If you would like to discuss the decisions your practice is facing and your best course of action, your Vestia advisor can help!

**(877) 669-1126 | [hello@vestiaadvisors.com](mailto:hello@vestiaadvisors.com) | [www.vestiaadvisors.com](http://www.vestiaadvisors.com)**

Investment advisory services offered through Vestia Personal Wealth Advisors, Vestia Retirement Plan Consultants, and Vestia Advisors, LLC. Securities offered through Ausdal Financial Partners, Inc., 5187 Utica Ridge Rd, Davenport, IA. 52807 (563)326-2064. Member FINRA/SIPC. Vestia Personal Wealth Advisors, Vestia Retirement Plan Consultants, Vestia Advisors, LLC and Ausdal Financial Partners, Inc. are independently owned and operated.