



INDEPENDENT PHYSICIAN PRACTICES: WILL THEY FIND RELIEF IN THE COVID-19 STIMULUS ACTS?

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As the world continues to adjust to manage the COVID-19 pandemic, independent physician practices face unique challenges and are looking for a lifeline in the many federal stimulus packages recently passed, totaling more than \$2 trillion thus far.

Physicians at these practices aren't just frontline healthcare workers —they are also often business owners, grappling with the reality that revenue-generating procedures are on hold.

It's important for independent physician practice leaders to understand the current federal measures and get an outlook on the longer-term effects as they rely on this support to meet community need and to sustain system viability.

CONSIDERATIONS FOR THE MEDICARE ACCELERATED AND ADVANCED PAYMENT PROGRAM

The Centers for Medicare & Medicaid Services (CMS) expanded the Accelerated and Advanced Payment Program to a broader group of Medicare Part A and B suppliers. The program is intended to provide necessary funds when a disruption of claims submission and/or claims processing occurs, including during national emergencies or natural disasters, to accelerate cash flow to impacted providers and suppliers. Requests are submitted to the appropriate Medicare Administrative Contractor (MAC).

To qualify for accelerated or advance payments, the provider or supplier must:

- Have billed Medicare for claims within 180 days immediately prior to the date of signature on the provider's/supplier's request form;
- Not be in bankruptcy;
- Not be under active medical review or program integrity investigation; and
- Not have any outstanding delinquent Medicare overpayments.

Providers can request up to 100% of their Medicare payment amount for a three-month period. The MAC is tasked with reviewing requests and issuing payments within seven days of receiving the request. Repayment begins 120 days after the payment is issued and must be completely repaid in 210 days. Repayment is automatically deducted from future claims until Medicare fully recovers the advance. If the entire advanced amount is not fully recaptured within 210 days of claims submissions, the balance still due will be billed for direct payment.

While the Medicare Accelerated and Advanced Payment Program provides an influx of relatively immediate cash, it is truly an advance — and repayment occurs when practices are probably just starting to ramp back up based on current best scenarios. It is truly a catch-22 of “pay me now or pay me later.”

PRACTICE IMPACT

For independent physician practices, the month of March was an exercise in constant change in workflow, operations and financial management as hospitals and ambulatory surgery centers (ASCs) canceled elective procedures, patients canceled or failed to keep appointments, and schedules were reduced to accommodate social distancing and elective care deferral. Although practices continued to realize income from previously submitted A/R, reductions in provider compensation and furloughs or layoffs of staff were contemplated or undertaken.

When the FFCRA was signed into law, many practices considered utilizing the provisions for up to 80 hours of paid sick leave and up to 10 weeks of paid FMLA leave for COVID-19-related reasons. While the FFCRA allowed medical practices to be exempt from this small business mandate, practice leaders could avail themselves of this expanded employee benefit. The challenge of offering the benefit was that the practice needed to fund the paid time off immediately, and the tax credit for the monies spent would not be realized for many months — not ideal when the cash flow for most practices is rapidly slowing to 50% or less of what it had been earlier this year.

For independent practices, the key business focus needs to be on cash conservation to maintain some level of viability for the near and mid-term. The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program — both part of the CARES Act — provide a lifeline of funding to small businesses in need.

THE EIDL PROGRAM

The EIDL program is administered by the Small Business Administration (SBA) and provides loans that can be used to pay fixed debts, rent, utilities, payroll, and other accounts payable. Interest rates are 3.75% for small businesses and repayment may be able to be stretched up to 30 years. The program includes the option to request an advance distribution of up to \$10,000, known as an Economic Injury Disaster Advance, while waiting for the loan application to be approved. The advance is to be paid within three days of a request, while the full application approval is estimated to take two to three weeks. The advance does not need to be repaid if the EIDL loan application is not approved.

THE PAYCHECK PROTECTION PROGRAM (PPP)

The PPP is also administered by the SBA and provides low interest (1%), no collateral, forgivable loans to keep workers on the payroll. Under the PPP guidelines, if all employees are kept on the payroll for eight weeks, the SBA will forgive the portion of the loan used for payroll, rent, mortgage interest, or utilities with the following restrictions applying:

- Not more than 25% of the forgiven amount can be attributable to non-payroll expenses.
- Employees earning more than \$100,000 per year are excluded.
- The amount forgiven will be reduced if employees were laid off or had their wages reduced – unless the employees are rehired and/or their wages are returned to their original (pre-Feb. 15, 2020) level by June 30, 2020.

The PPP provides additional benefits.

- Amounts forgiven under the CARES Act that would normally be considered as gross income by the IRS, will be excluded from gross income determinations.
- For individuals that were approved and received an EIDL for payroll costs or other PPP permissible expenses, the EIDL can be refinanced through the PPP since the interest rate is more favorable (1% versus 3.57%).
- For individuals that were approved and received an EIDL between January 31, 2020 and April 3, 2020 for other than payroll costs or other PPP permissible expenses, the borrower may also be eligible for an additional loan through the PPP to cover payroll and other permitted expenses.

Note that, in accordance with legislative direction, priority will be given to underserved, rural, and veterans' markets; to businesses owned by socially and economically disadvantaged individuals and women; and to businesses that are less than two years old.

It is important for interested practices to remember that this is a low-interest loan and not a grant. The amount to be forgiven will be determined according to the legislative guidelines briefly outlined above after the borrower applies for loan forgiveness. Even though a PPP loan is not a grant and the borrower should plan full repayment, the low interest rate of 1% and the potential to have repayment of all or most of the loan forgiven make this a very attractive opportunity.

BOTTOM LINE

The federal relief acts and the Medicare Accelerated and Advanced Payment Program are all temporizing measures. There remain more questions than answers. What we do know is that we cannot make up for lost time. The time associated with canceled elective procedures and rescheduled in-office patient appointments cannot be reclaimed. The net effect will be a loss of revenue and the road to rebuild will be a long one — one where not all independent practices will be able to sustain the current losses and re-emerge on the other side of this pandemic.

Deciding whether to try to keep operations going for as long as possible or to close temporarily or to close permanently are real decisions being made every day. Some providers who planned to retire in the next year are opting to retire now, further affecting the ability to meet patient needs during the pandemic and after. Some providers who contemplated employment before are seriously considering it now, approaching health systems, large employed networks, or private equity firms with employment requests amid these stressful times.

Like never before, we all must be knowledgeable about and receptive to various business options during these challenging clinical times so that we come out on the other side as strong as possible.

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