



# Coronavirus Aid, Relief, and Economic Security (CARES) Act

## PAYCHECK PROTECTION PROGRAM OVERVIEW

We at Tenet Healthcare believe that our physicians and physician practices are an integral part of our healthcare system. We appreciate your steadfast commitment to all your patients and the communities we serve. We want to help you care for your practice.

The CARES Act includes \$350 billion in Small Business Administration (SBA) 7(a) and SBA Express loans designated to keep staff employed and provide emergent liquidity to keep businesses of less than 500 employees from failing.

The Paycheck Protection Program (PPP) includes the potential for a partial or complete forgiveness of a loan, as long as employers satisfy specific criteria. The loan has a 2-year term with 1.0% fixed interest rate and no interest or principal payment for the first 6 months. The program is retroactive to February 15, 2020 allowing companies to rehire staff who have already been laid off and pay them for the time they missed.

This document provides more information on how your physician practice may access the Paycheck Protection Program during COVID-19. Additional information is provided by the Treasury Department and SBA.gov.

## ELIGIBILITY CRITERIA

An entity generally is eligible for the PPP program if: (i) It was in operation on February 15, 2020 and (ii) it, combined with its affiliates, is a small business under existing SBA regulations or has 500 or fewer employees whose principal place of residence is in the U.S.

Employees include full, part-time and temporary employees as well as employees working for the practice through a leasing or temporary agency. An owner is considered an employee as long as they are a full-time employee. Generally, employees exclude independent contractors and volunteers.

The number of employees is based on the average number of employees for the pay periods for the preceding completed 12 calendar months.

## APPLICATION PROCESS

Due to the potential volume of loan applicants to this program, please contact your bank as soon as possible to determine if they are a participating lender. We recommend you inquire if your existing relationship manager or another person in the banking group can assist as well as what their loan process and anticipated timelines are.

### CONTACT A PARTICIPATING LENDER

Call your practice's existing bank first. If they are not an SBA lender, visit [SBA.gov](https://www.sba.gov) for find a lender

### BEGIN GATHERING INFORMATION

Collect recent practice P&L and payroll register, 1099s for 2019 and year-to-date 2020

### SEEK APPLICATION SUPPORT

If you need help with your application, contact your accountant or lawyer to assist

### SUBMIT APPLICATION & TRACK

Congratulations! Begin to track eligible expenses for loan forgiveness documentation.

## INFORMATION NEEDED TO APPLY

Your lender will provide definitive guidance on what supporting documentation will be necessary. Based on the Treasury website application, key information will likely include the following.

- Payroll reports for 2019 and 2020 year-to-date for employees and officers that show:
  - Gross wages
  - Paid time off / paid vacation
  - Pay for family, medical or sick leave
  - 1099s for independent contractors (if applicable)
  - Completed 2019 tax return OR 2019 Profit and Loss Report and Balance Sheet
- Documentation (as applicable):
  - Funds received in the form of an Economic Injury Disaster Loan (EIDL) from Jan 31 to Apr 3, 2020
  - Payments for group health care benefits including premiums paid in 2019 to 2020 year-to-date
  - Payment for any retirement benefits paid in 2019 and 2020 year-to-date

## INFORMATION TO VERIFY FORGIVENESS AMOUNT

Additional guidance from the SBA is still needed and your lender will provide definitive guidance on supporting necessary supporting documentation. However, it will be important to begin maintain records for your application calculations, which could include the following.

- Quarterly IRS forms 940, 941, or 944 for the following dates:
  - Mar 31, 2019 and Jun 30, 2019
  - Mar 31, 2020 and Jun 30, 2020, when available
- Documentation of mortgage interest, rent payments and utilities from Feb 15 to Jun 30, 2020
  - Canceled checks
  - Payment receipts
  - Bank statement

## FREQUENTLY ASKED QUESTIONS

### How much can I borrow and what is the timing?

- Loans can be up to 2.5x the borrower's average monthly payroll costs, not to exceed \$10M
- Calculation of the maximum loan amount does not equate to the calculation of the forgivable amount

### Is it acceptable to apply through more than one bank?

- The guidance makes it clear that an applicant can only take out one loan for the program
- In the certification to the application, the applicant must certify that 'the Applicant has not and will not receive another loan under the Paycheck Protection Program'

### How do I calculate my average monthly payroll costs?

- Average monthly sum of included payroll costs from the last 12 months should include the following:
  - Gross wages before deductions for taxes withheld and benefit deduction
  - Employer portion of group healthcare benefits payments
  - Employer portion of retirement benefit payment

- Excluded from payroll costs are:
  - Compensation of employees and owners in excess of \$100,000 annually
  - Compensation for employees with principal place of residence outside of the US
  - Taxes imposed or withheld under Chapters 21, 22 or 24 of IRS Code of 1986
  - Sick leave and family leave wages for which credits are allowed under sections 7001 and 7003 respectively of the Families First Coronavirus Response Act

**As an owner of the physician practice, can I include my own compensation in the loan amount calculations?**

- Yes, if you are also a full-time employee of the business and receive wages
- Your wages, up to \$100,000 maximum per employee, can be included in the eligible monthly payroll costs
- Distributions you receive as an owner of the business are not eligible for inclusion

**How will loan forgiveness work?**

- Requests for forgiveness must be submitted to the lender servicing your loan. You will need to provide documentation that the forgiveness amount was used to keep employees and make eligible payments.
- Not more than 25% of the forgiven amount may be used for non-payroll costs
- Loan forgiveness will decrease:
  - If number of full-time equivalent employee headcount is decreased
  - If salaries and wages for employees that made less than \$100,000 is decreased by more than 25%
  - If headcount and salary changes made from Feb 15 to Apr 26 is not restored by Jun 30, 2020
- The forgiven PPP loan amount shall be excluded from gross income for IRS purposes

**Can you pay back any excess loan amount at the end of the 2 month period?**

- The 8 week period starts from the date of the loan. The PPP loan can be prepaid at any time. Interest will begin accruing from the date of advance, but all payments are deferred for six months. It could generally take up to 4 months to determine loan forgiveness.

**Are there any implications on other government financial assistance programs during COVID-19?**

- The “Social Security tax deferral” loan is not available if a company obtains a PPP loan.
- The Economic Injury Disaster Loan (EIDL) is a separate program. If an application received an EIDL advance and is approved for a PPP, the \$10,000 advance is reduced from PPP loan amount eligible for forgiveness.
- The Medicare Advance payments is a separate program without any implications to the PPP loan.

**ADDITIONAL RESOURCES**

Department of Treasury:

- <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>
- <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
- <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>

SBA COVID-19: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

**Disclaimer:** The information included on this site is subject to revision and interpretation based on pending rules and regulations. This information is only a summary of more detailed information and may not contain all the information that is important or relevant to you. No representation or warranty, expressed or implied is made. You should not place undue reliance on the accuracy, fairness or completeness of the information presented

