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Medicare Advantage

Provider update

Federal resources available for health care providers and employers in the federal *CARES Act*

During the COVID-19 crisis, care providers are working to keep the country running while navigating the financial impact it is having on them. Anthem, Inc., the parent company of Amerigroup, advocated for Congress to provide sufficient funding for hospitals to be able to address those in need of care, and we strongly support federal and state efforts to address the financial needs of care providers. To help care providers navigate the resources available to them, we compiled information on programs that could deliver additional financial relief during this crisis.

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act* is the third in a series of COVID-19 federal laws designed to assist in addressing the virus and provide financial relief to lessen the impact. The *CARES Act* includes new resources to address the economic impact of COVID-19 on employers of all sizes, including care providers. It also delivers significant funding specifically for care providers **and** expands existing federal loan programs, creates new tax credits, postpones employment tax payments and includes additional tax relief for employers, including care providers.

Funding specifically designated for care providers in the *CARES Act* includes:

- $100 billion grant program for the U.S. Department of Health and Human Services (HHS) to provide direct assistance to hospitals and other eligible Medicare providers and suppliers to cover unreimbursed healthcare-related expenses or lost revenues attributable to the COVID-19 public health emergency.
- Advance Medicare payments for care providers and suppliers through Accelerated and Advance Payment Program allowing hospitals to receive 100 percent of three months of advanced payments through Medicare. Inpatient acute care hospitals, children's hospitals, and certain cancer hospitals are able to request up to 100 percent of the Medicare payment amount for a six-month period. Critical Access Hospitals can request up to 125 percent of Medicare payment for six months.
- 20 percent increase in reimbursement to hospitals in the Medicare program for inpatient stays coded as COVID-19, applicable during the emergency period.
- Suspension of the Medicare "sequester cuts" under current law that would have reduced payments to hospitals and providers by two percent. This suspension lasts from May 2020 through December 2020 increasing Medicare payments to hospitals and providers by two percent.
- Elimination of $8 billion in Medicaid Disproportionate Share Hospital cuts which were scheduled to go into effect on May 23, 2020.

Loans and tax relief for employers, including care providers

[Paycheck Protection Program (PPP) for small employers]

This program provides employers, 501(c)(3) nonprofits, veterans organizations and tribal small businesses that generally have fewer than 500 employees with loans of up to $10 million through the U.S. Small Business Administration 7(a) loan program. Both the [U.S. Small Business Administration (SBA)] and the [U.S. Treasury Department] have issued guidance on these loans, which can serve as great resources for small employers.

Lenders may begin processing PPP loan applications as soon as April 3, 2020, and the program will be available through June 30, 2020. Please note that these loans will be fully forgiven if employees are kept on payroll for eight weeks and the funds are used for payroll costs including health benefits, interest on mortgages, rent, and utilities. Additional details on the PPP program include:

- You can apply through any [existing SBA 7(a) lender] or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program.
- PPP loan payments will also be deferred for six months. No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees.
- The business must have been in operation on February 15, 2020.
- Eligible entities also include sole proprietors, independent contractors and other self-employed individuals.
- PPP loan amounts are 250 percent of the average total monthly payroll costs incurred during the one-year period before the date of the loan.
- Allowable uses of the PPP loan include ongoing payroll support (including health care benefits/insurance premiums), as well as mortgage interest, rent and utility payments.
- All businesses are eligible irrespective of ability to pay, and if the employer maintains employment levels, it is eligible for loan forgiveness equal to the amount spent by the borrower during an 8-week period after the origination date of the PPP loan on payroll costs, mortgage interest, rent/lease and utilities.
- Mandates all participating lenders to defer payments for at least six months (up to one year).

[Economic Injury Disaster Loan (EIDL) and Emergency Economic Injury Grants]

- EIDLs allow small businesses to receive immediate cash advance payments of $10,000 in three days and waiver of certain requirements on loans of less than $200,000. To access the advance, the business first applies for an EIDL and then requests the advance. The advance does not need to be repaid under **any** circumstance and may be used for payroll, to pay for sick leave, or pay business obligations such as rent/mortgage and debt.
- EIDLs are lower interest loans with principal and interest deferment at the SBA Administrator’s discretion.
- Eligible entities are businesses, cooperatives, employee stock ownership plans, and tribal small business concerns with fewer than 500 employees, or any individual

operating as a sole proprietor or an independent contractor. Private nonprofit businesses of any size are also eligible.
- An EIDL may be used for payroll and other operating expenses, but cannot be used for the same purposes as a PPP Loan.
- Eligible entities can get both an EIDL and a PPP loan, but any advance amount is subtracted from the amount forgiven in the PPP loan.

Small Business Association (SBA) Express Bridge Loans
- Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to $25,000 quickly.
- These loans can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing and can be a term loans or used to bridge the gap while applying for a direct SBA Economic Injury Disaster Loan (EIDL).
- If a small business has an urgent need for cash while waiting for decision and disbursement on an EIDL, they may qualify for an SBA Express Bridge Loan.
- Loan will be repaid in full or in part by proceeds from the EIDL

Small business debt relief
- Eligible small businesses are those with non-disaster Small Business Administration (SBA) loans (loans not made under the Paycheck Protection Program) and others
- The SBA will cover all loan payments on these SBA loans for 6 months.
- This relief is also available to new borrowers who take out eligible loans within 6 months of March 27, 2020.

Financial support for medium and large employers
The *CARES Act* includes $454 billion for the U.S. Treasury Department to be used to capitalize one or more loan facilities, established by the Federal Reserve, to make direct secured business loans to companies, including those with **between 500 and 10,000 employees**. These loans would be fully secured by the borrower's assets and that the borrower not engage in stock buybacks or furnish dividends while the loan is outstanding and for 12 months thereafter, and agree to limits on executive compensation. **Once additional details and guidance are released, this information will be updated.**

Employee retention tax credits for all businesses
Any employer or 501(c)(3) tax-exempt organization experiencing more than a 50 percent drop in gross receipts during the COVID-19 crisis is eligible for an advanceable or refundable payroll tax credit for keeping employees on the payroll. The amount of credit each quarter is up to 50 percent of wages (up to $10,000) (Sec. 2301). The IRS recently released **guidance** on this tax credit.

- Eligible employers are those subject to a full or partial shut-down order due to the COVID-19 pandemic, or those employers who see gross receipts decline by more than 50 percent when compared to the same quarter in 2019.
- Wages of employees who are furloughed or face reduced hours as a result of their employers' closure or economic hardship are eligible for the credit.

- For employers with 100 or fewer full-time employees, all employee wages are eligible, regardless of whether an employee is furloughed.
- Employers receiving a Paycheck Protection Program loan through the SBA are **not** eligible.

Postponement of payroll tax payments

Employers and self-employed individuals can defer paying their share of applicable 2020 payroll taxes to free up cash to fund operations and support retaining employees.

- This is not available to small employers who have had debt forgiven through the Paycheck Protection Program.
- Employer may defer 100 percent of the 6.2 percent employer-share of the old age, survivors and disability insurance (OASDI) portion of the Federal Insurance Contribution Act (FICA) taxes due on wages paid after March 27, 2020 through the end of 2020.
- Self-employed individuals may also delay the payment of 50 percent of the OASDI
- Half of the tax that would have been paid in 2020 can be paid at the end of 2021, and the other half at the end of 2022.

Carryback of net operating losses

- Allows businesses to carry back for five years 100 percent of losses for tax years 2018, 2019 and 2020.
- This will allow businesses to offset taxable income and access cash to support business operations in 2020 and future years.

Increased deduction for interest expense

- For 2019 and 2020 increases the amount of interest expense that businesses (corporations and partners in partnership) are allowed to deduct, by increasing the limitation from 30 percent of adjusted taxable income to 50 percent.
- This provision allows businesses to increase liquidity with a reduced cost of capital.

Accelerated depreciation of qualified improvement property

- This provision classifies qualified improvement property as 15-year life, which also allows such property to be eligible for bonus depreciation.