

Unlocked PC Premium Content: CARES Act Deep Dive

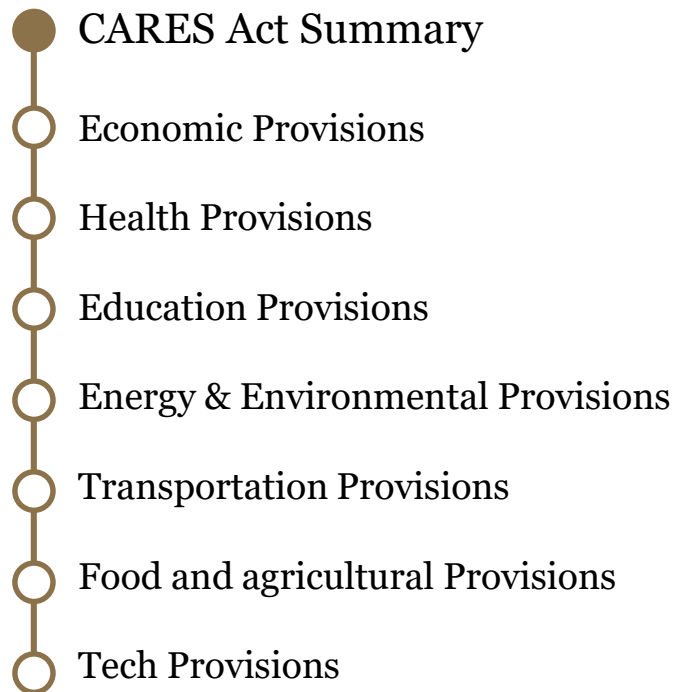
A breakdown of key provisions in the Coronavirus Aid, Relief,
and Economic Security Act

April 8, 2020

Producer

Presentation Center

Roadmap



Congress's three-phase response to the coronavirus crisis

Phase 1

Initial support and vaccine development

H.R. 6074 — Coronavirus Preparedness and Response Supplemental Appropriations Act

- \$8.3 billion in COVID-19 response funding for developing a vaccine and preventing further spread of the virus
- Became law on 3/6/20

Phase 2

Paid leave, unemployment and food assistance

H.R. 6201 — Families First Coronavirus Response Act

- \$100 billion in worker assistance, including emergency paid sick leave, food assistance, and unemployment payments
- Became law on 3/18/20

Phase 3

Major economic stimulus package

H.R. 748 Stimulus package

- Major stimulus package (\$2 trillion)
- Loans and support to major industries, including airlines and small businesses
- Direct payments to individuals and families
- Became law on 3/27/20

Phase 3 (H.R. 748): Coronavirus Aid, Relief, & Economic Security Act

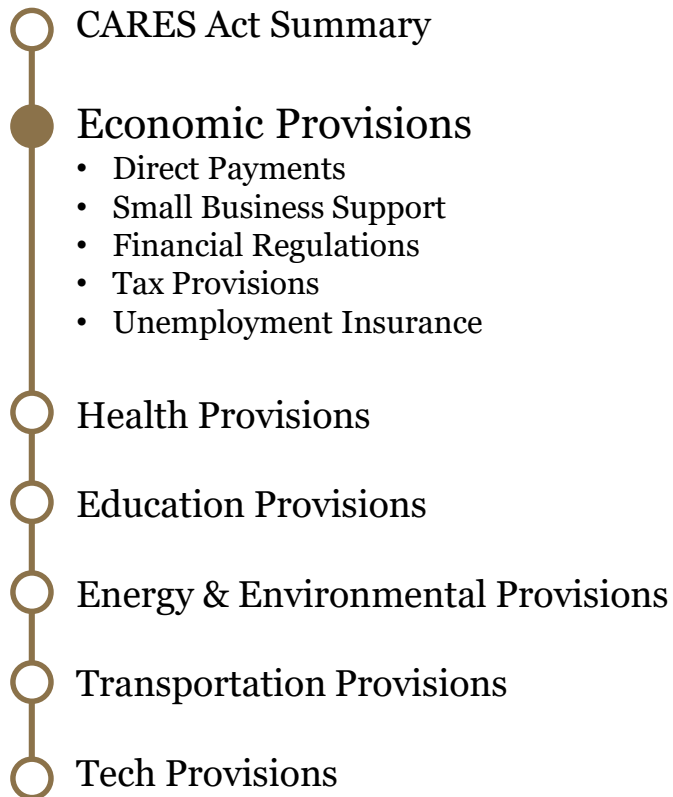


Total cost: \$2 trillion

- **Direct payments to individuals:**
 - \$1,200 per adult, with an additional \$500 per child
 - The full amount will go to individuals who earn >\$75,000/year or \$150,000 for married couples; the payments scale down for higher-earning individuals, phasing out completely at \$99,000 for individuals, \$146,500 for heads of households with one child, and \$198,000 for joint filers without children
- **Hospital investments**
 - \$100 billion for hospitals
 - \$1 billion to Indian Health Service
 - \$16 billion for building a stockpile of medical equipment
 - Increases reimbursements by 20% for treating Medicare patients with coronavirus
- **\$500 billion lending funds for industries, states, and localities**
 - Loans for companies with more than 500 employees
 - \$25 billion in loans to airlines; \$4 billion to cargo carriers
 - Bans loans to businesses owned by the president, vice president, heads of executive departments, or members of Congress
- **\$350 billion in loans for small businesses**
 - Loans to small businesses would be forgiven if payrolls are maintained
- **Unemployment benefits increased \$600/week for four months**
- **New Treasury IG and Congressional Oversight Board**
- **State and Local Funds**
 - \$150 billion for state and local funds, including \$8 billion for tribal governments

Sources: PBS Newshour, CNN, The Wall Street Journal, The Hill, Vox

Roadmap



Economic Impact Payments: Direct payments to individuals and families in the CARES Act

Who is eligible:

- U.S. residents who are not dependents and have a work eligible Social Security number
- Eligible retirees and recipients of Social Security, Railroad Retirement, disability or veterans' benefits

Payment delivery:

- By mail or direct deposit for tax filers in 2018 or 2019
- By mail or direct deposit for Social Security and Railroad Retirement recipients
- For others who do not normally file taxes, additional guidance is pending

Amount of payments:

Full \$1,200 if adjusted gross income (AGI) is below:

- \$75,000 for individuals
- \$112,500 for head of household filers
- \$150,000 for married couples filing joint returns

Reduced payment if AGI is between:

- \$75,000-\$99,000 for individuals
- \$112,500-\$136,500 for head of household filers
- \$150,000-\$198,000 for married couples filing joint returns

No payment if AGI is above:

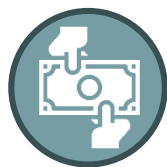
- \$99,000 if your filing status was single or married filing separately
- \$136,500 for head of household
- \$198,000 if your filing status was married filing jointly

Key small business provisions in the Senate stimulus package

The bill was enacted on March 27

Some researchers estimate that small businesses could need up to \$1.5 trillion cash injections from the federal government, far more than the stimulus currently provides

Appropriates **\$350 billion** in forgivable loans (capped at 4% interest) to small businesses (who can receive **up to \$10 million**) to prevent them from laying off their workers; these will be overseen by the SBA and administered by banks + other lenders



Creates a refundable **50% tax payroll tax credit** on worker wages; applies to all businesses, including small businesses

Codifies a **delay in employer-side Social Security payroll taxes** until 2021 or 2022



Senate stimulus package



Designates some of the \$425 billion appropriated for the Federal Reserve's credit facilities to be used to **support small businesses**

Provides **expanded unemployment-insurance benefits** to sole proprietors, in addition to other self-employed workers



Establishes less strict operating loss-deduction rules, allowing businesses to **get more tax relief**

The enacted stimulus package contains numerous provisions that pertain to the financial sector

The bill supports Fed lending and offers different types of regulatory relief

1

Authorizes **\$454 billion in Treasury spending** to support Federal Reserve lending programs. The Fed designs and runs its programs, but must receive DOT approval on any proposed plans

2

Authorizes **Federal Deposit Insurance Corporation (FDIC) to revive crisis-era backstops:** Allows FDIC to guarantee bank-issued debt, as well as noninterest-bearing deposits (e.g. checking accts.) beyond the typical \$250,000 limit

3

Allows banks the option of **temporarily delaying compliance with the Current Expected Credit Losses (CECL) standard**, an accounting standard used to estimate allowances for credit losses

4

Protects consumers' credit reports in the event that they must make any coronavirus-related loan modifications; does so by requiring financial institutions to designate qualifying modified loan payments as "current" in reports to credit reporting agencies until 4 months after the state of emergency has been officially lifted

5

Eases capital requirements for small banks: Decreases the community bank leverage ratio down from 9% to 8%

6

Suspends federal student loan payments until Sep. 30, **allows up to 6 months** of forbearance for consumers who have taken out federally backed mortgage loans, and **bans foreclosures** on such loans **for 60 days**

Tax policy implications of the phase 3 relief package (CARES Act)

- 1** Pushes the **filing deadline** for 2019 tax returns back to **July 15, 2020**
- 2** Establishes an **employee retention tax credit** for certain eligible employers; this 50 percent refundable payroll tax credit can be applied to wages paid of up to \$10,000 for business affected by the virus and the credit may be claimed for furloughed employees (guidelines can be found on the IRS website)
- 3** Allows employers to **delay their payroll tax liabilities** until 2021 or 2022, allowing businesses to have more cash on hand during the crisis
- 4** **Relaxes operating loss-deduction rules**, allowing businesses to **get more tax relief**
- 5** **Excludes up to \$5,250 of certain employer contributions towards student loan payments** from taxable income
- 6** Amends the Internal Revenue code to **make qualified improvement property (QIP) eligible for bonus depreciation** by granting it a recovery period of a 15-years (fixing the “retail glitch”)
- 7** Temporarily **expands business interest expense deductions**

The CARES act adopts a multipronged approach to expanding unemployment insurance (UI) benefits

1

- **Extends unemployment benefits to workers who would have normally not qualified** for federal and state programs, but would be working absent coronavirus
- These benefits are fully funded by the federal government and offered for up to 39 weeks
- Eligible workers include the self-employed, individuals with limited work history, and independent contractors
- Excludes workers who are able to work from home with pay or receive any form of paid-leave

2

- **Extends unemployment benefits to certain workers who have quit their jobs for reasons pertaining to the coronavirus**
- Applies to those who contracted the virus and those without paid leave benefits who had to quit their jobs to take care of relatives

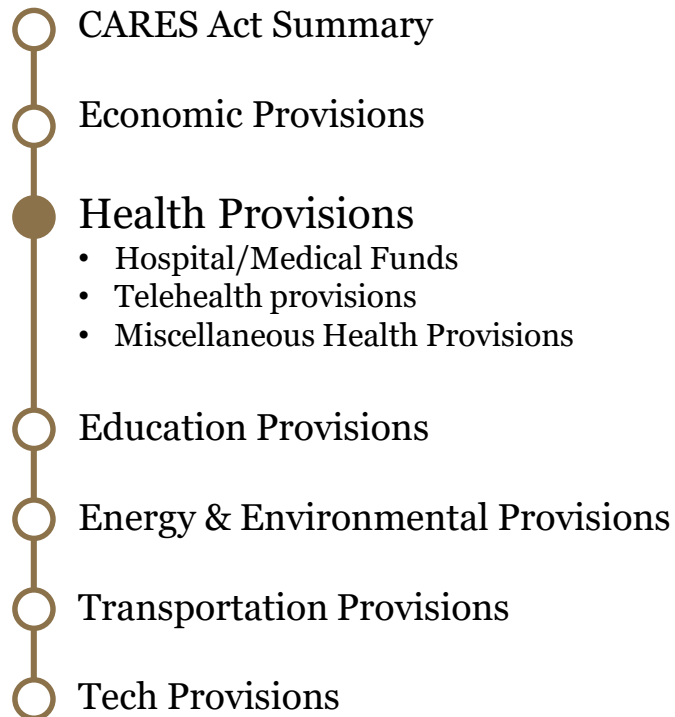
3

- **Increases the unemployment benefit** for eligible individuals to the sum of what the individual would receive at the state level and **\$600** provided by the federal government
- This expansion in benefit amount is called "Federal Pandemic Unemployment Compensation"

4

- Allows states to **provide federally-funded unemployment compensation for an additional 13 weeks** (bringing the maximum weeks of benefits up from 26 to 39)

Roadmap



Of the \$140 billion appropriated to support the US health system in the Senate CARES bill, over 70% will go to hospitals

Overview of health care funding provisions in the Senate Phase 3 stimulus funding:



\$100 billion for a new program to **give grants to hospitals**, public entities, non-profit entities, and Medicare and Medicaid enrolled suppliers and institutional providers to cover unreimbursed health care expenses or lost revenues resulting from the COVID-19 emergency



\$16 billion for the **Strategic National Stockpile** to obtain PPE, ventilators, and other necessary medical supplies for federal and state responses



\$11 billion to support the **research and development** of vaccines, therapeutics, and diagnostics to prevent or treat coronavirus



\$4.3 billion to the CDC to **support federal, state, and local public health agencies** to prevent, prepare for, and respond to COVID-19



\$200 million to support CMS priorities, including **assisting nursing homes** with infection control and assisting states' efforts to stem spread in nursing homes



\$185 million through HRSA to **support rural critical access hospital, rural tribal health, and telehealth**

The bill also includes provisions on reimbursements for care providers that treat COVID-19

Highlight of payment provisions

1

Hospitals that treat Medicare patients for COVID-19 receive a **20% payment increase** for services provided.

2

Employers and health insurers **must pay hospitals and labs their fees for COVID-19 tests if a contract is not in place.** Medicare pays \$51.33 for a commercial test.

3

The bill **lifts Medicare's "sequestration,"** which cuts payments to providers by 2%, until the end of 2020.

4

Labs won't face scheduled Medicare cuts in 2021 and will also see delays in future payment cuts.

5

Most hospitals may collect a **no-interest-for-a-year loan** worth their previous six months of Medicare funding. Rural hospitals and those in underserved areas are eligible for 125% of that amount.

Limitations:



- Patients may still receive **surprise bills** for **out-of-network care**
- There are no subsidies for **COBRA coverage**, which many employers wanted for the recently unemployed
- Some may be able to sign up for a plan on the **ACA marketplace** or qualify for **Medicaid**

The \$2 trillion CARES Act includes various provisions aimed at boosting telehealth access and use



Funding provisions

- **HRSA:** Reauthorizes the Telehealth Resource Center grant programs at \$29 million per year through 2025
- **VA:** \$14.4 billion to expand telehealth services, \$2.15 billion to expand COVID-19 related services, among other telehealth-related provisions
- **Indian Health Service:** \$1.032 billion for health care services, including mobile health units and improving telehealth capacity
- **FCC:** \$200 million to support telecommunications and services for telehealth
- **HHS:** \$27 billion for the Public Health and Social Services Emergency Fund for Coronavirus Measures, including telehealth access and infrastructure













Rule changes

- **Federally Qualified Health Centers and Rural Health Centers** can act as both the originating or distant site for telehealth services
- Loosens previous Medicare requirements that restricted coverage to real-time audio-visual technology to **allow phone-based services**
- Relaxes requirement that care providers must have **seen a patient in-person** with the past three years
- Allows **high-deductible health plans with HSAs** to cover telehealth services before the member reaches their deductible
- Eliminates requirement that **nephrologists** conduct periodic in-person home visits for dialysis patients
- Telehealth may **fulfill hospice recertification requirements** for face-to-face visits

Health programs extended until November 30, 2020




The FY2020 spending package extended funding for expiring health programs and funding activities to May 22, but was extended again until November 30, 2020 in response to the COVID-19 pandemic.

 <p>Outreach and assistance programs to support low-income Medicare beneficiaries seeking insurance coverage including State Health Insurance Assistance Programs, Areas Agencies on Aging and Disability Resource centers</p>	 <p>Support for activities related to quality measurement and performance improvement in Medicare and Medicaid</p>
 <p>Personal Responsibility Education Program (PREP) which provides grants to fund adolescent education on teen pregnancy prevention and sexually transmitted infections</p>	 <p>Community Mental Health Services demonstration program which allows certain states to deliver mental health services to Medicaid beneficiaries at an enhanced rate</p>
 <p>Work Geographic Practice Cost Index (GPCI) for Medicare which impacts the payments under the Medicare Physician Fee Schedule</p>	 <p>Protections for spouses of Medicaid patients including allowing the spouse to maintain certain levels of assets income if a Medicaid patient goes into a home or uses community based services</p>
 <p>Community Health Centers Fund, National Health Service Corps Fund and the Teaching Health Center Graduate Medical Education program which support the training of health care providers in underserved areas</p>	 <p>Money Follows the Person demonstration program which supports states enhanced Federal Medical Assistance Percentages (FMAP) for services and support for seniors and people with disabilities moving to a community based setting from institutions</p>
 <p>Sexual Risk Avoidance Education (SRAE) program which supports education for adolescents on relationships and abstaining from sexual activity</p>	 <p>Temporary Assistance for Needy Families (TANF) program and the Child Care Entitlement to States (CCES)</p>
 <p>Special Diabetes Program supports Type 1 diabetes research and the Special Diabetes Program for Native Americans which supports diabetes treatment and prevention to the IHS</p>	 <p>Health Profession Opportunity Grants (HPOG) demonstration program that assists low-income individuals enter health professions in need of workers</p>

Sources: Senate Appropriations Committee, Modern Healthcare.

Roadmap

- 
- CARES Act Summary
 - Economic Provisions
 - Health Provisions
 - Education Provisions
 - Energy & Environmental Provisions
 - Transportation Provisions
 - Tech Provisions
-

The Phase 3 stimulus package included over \$30 billion in education funding

Highlight of major funding provisions:

\$13.5 B

for **public K-12 schools**, with at least 90% of that earmarked for school districts through the Title I aid formula

\$14.25 B

for support to **higher education institutions**

\$3 B

for **governors to use at their discretion** through a flexible funding formula for K-12 and/or higher education



Student loans


- **Suspends federal student loan payments** without interest through September 30
- **Suspends wage garnishment or tax refund reduction** for those who have defaulted on federal student aid loans
- Does not include debt forgiveness
- The bill **will not impact privately held student loans** (approximately 12% of all loans in 2018-2019)



Accountability

- The bill gives Secretary Betsy DeVos authority to **grant relief from certain accountability statutes** under ESSA
- The bill requires her to report to Congress within 30 days about **recommendations to grant schools limited flexibility from other education laws**, including the Individuals with Disabilities Education Act

Roadmap

- 
- CARES Act Summary
 - Economic Provisions
 - Health Provisions
 - Education Provisions
 - Energy & Environmental Provisions
 - Transportation Provisions
 - Tech Provisions
-

Phase 3 COVID-19 stimulus package excludes energy and environment measures

The package does not include funds for an oil bailout or provisions requested by environmental advocates



Oil

- The package does not include \$3 billion in funding to purchase oil for the Strategic Petroleum Reserve
- Energy Secretary Dan Brouillette had expressed confidence that Congress would provide funds to fill the reserve
- The oil industry can still participate in the corporate assistance program included in the package



Airlines

- The package does not require airlines to reduce emissions in exchange for federal funds
- Stimulus includes \$25 billion for passenger airlines and \$4 billion for cargo airlines
- Environmentalists advocated for these funds to be paired with mandates to reduce emissions, similar to the fuel economy standards imposed after the 2008 financial crisis auto bailout



Renewables

- The package includes no tax incentives for wind and solar energy
- Environmental advocates had argued that any support for the oil industry should be paired with support for renewable energy

Roadmap

-
- CARES Act Summary
 - Economic Provisions
 - Health Provisions
 - Education Provisions
 - Energy & Environmental Provisions
 - Transportation Provisions
 - Rail
 - Airlines
 - Tech Provisions
-

Congress' phase 3 COVID-19 response bill includes billions in assistance to public transit and passenger rail agencies

Rail-related provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act



Public transportation

- **\$25 billion** allocated to public transportation agencies such as commuter rail
- **Federal Transit Administration** will distribute funds through four kinds of grants and must do so no more than seven days after the legislation becomes law



Amtrak funding

- **\$1 billion** in grants for Amtrak's response to the COVID-19 outbreak:
- **\$492 million** for Northeast corridor grants
- **\$526 million** for national network grants
- **\$239 million** for state assistance in meeting payments

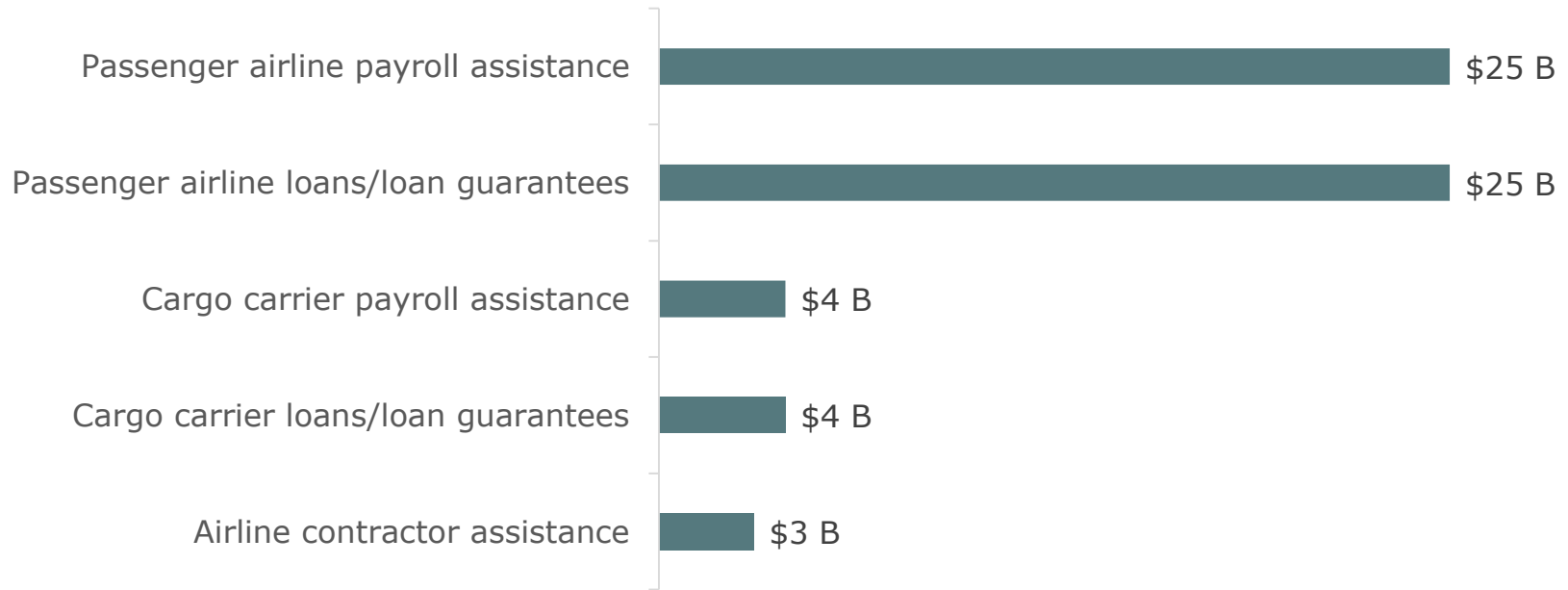


Other rail spending

- **\$31.3 million** for the Transportation Department's preparation for and response to the COVID-19 outbreak
- This spending will in part go towards the **Federal Transit Administration** and **Federal Railroad Administration**

Congress' third COVID-19 response legislation included \$61 billion in assistance to the airline industry

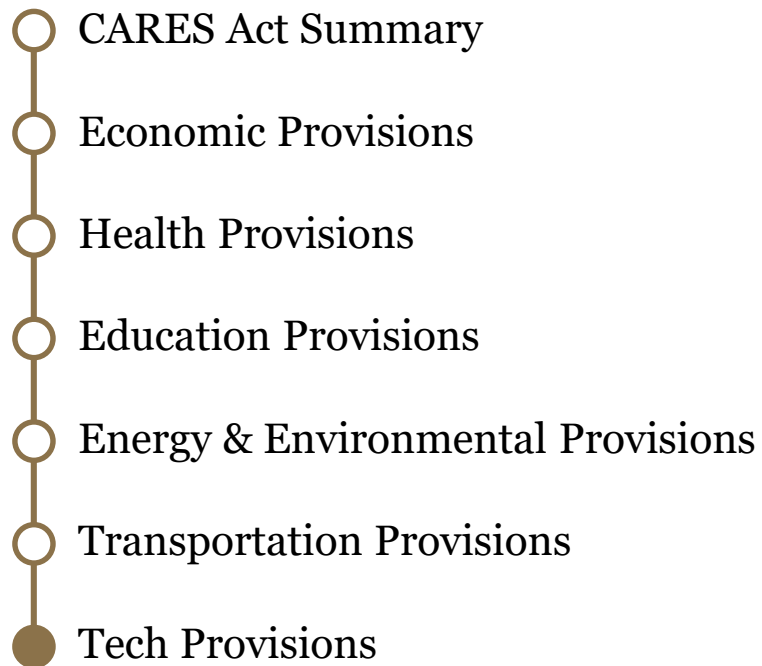
Overview of airline assistance in the Coronavirus Aid, Relief, and Economic Security (CARES) Act



Airline restrictions in the CARES Act

- Some Democratic lawmakers had hoped to pair airline assistance with mandated emissions cuts, but these provisions were not included in the final bill
- The legislation did include restrictions on executive pay and stock buybacks for airline companies

Roadmap

- 
- CARES Act Summary
 - Economic Provisions
 - Health Provisions
 - Education Provisions
 - Energy & Environmental Provisions
 - Transportation Provisions
 - Tech Provisions
-

The Senate stimulus bill includes increased funding for various tech initiatives across government agencies

Key technology provisions

\$400 million to the Election Assistance Commission to give grants to states to improve **election security**



Distance Learning and Telemedicine (DLT) and broadband program to receive \$25 million to support rural telecommunications access

FCC to receive \$200 million to enable the provision of **telehealth services**



DHS to receive \$9.1 million to address interagency coordination for the **protection of critical infrastructure**

\$500 million to improve **public health data surveillance** and infrastructure modernization



Additional **state- and local-led funding** would include expansion of telework and digital services