

# HOSPITAL EMERGENCY LOAN PROGRAM (HELP)

*A component of the Pennsylvania First Program*

Program Guidelines | April 2020



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## Section I – General

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### A. Introduction

The Hospital Emergency Loan Program (HELP) was established to provide critical working capital bridge financing to hospitals located within the commonwealth that are adversely impacted by the coronavirus (COVID-19) outbreak. The loan funds are intended to provide a short-term financing solution for hospitals until sufficient federal grant funding through the Coronavirus Aid Relief, and Economic Security (CARES) Act is received by the hospitals and must be repaid by September 25, 2020. The program is administered by the Pennsylvania Department of Community and Economic Development (DCED) through the Pennsylvania First Program (PA First).

### B. Eligible Applicants

Eligible applicants for HELP include all health care facilities licensed as hospitals pursuant to Chapter 8 of the Health Care Facilities Act of 1979 that will be eligible to receive federal grant funding through the CARES Act and agree to comply with surprise balance billing requirements from the CARES funding.

### C. Eligible Costs

1. Working capital, fixed assets, and machinery and equipment expenses directly related to COVID-19, which for the purposes of this program is considered capital used by a hospital for operations. The costs must be incurred between March 1, 2020 and September 1, 2020.
  - a. Working capital includes, but is not limited to, payroll, fringe benefits, payroll taxes, P&I on loans that are current, inventory and raw materials, pharmaceutical supplies, personal protective equipment (PPE), rent expenses, contract staffing costs, insurance expenses, utilities, business telephone and cell phone expenses, information technology expenses, accounting expenses, licenses and permits, facility, repair, and maintenance expenses, office supplies, and company vehicle expenses.
  - b. Fixed assets and machinery and equipment include, but is not limited to, hospital beds, ventilators and other medical equipment necessary to prepare for the COVID-19 surge.
2. Any eligible working capital expense directly related to COVID-19 incurred by the eligible hospital institution from March 1, 2020 to submission of the loan application will count as an eligible cost toward the loan amount. Please note that evidence of eligible working capital costs incurred equal to the amount of the total project cost will be required prior to the loan being disbursed.

### D. Ineligible Activities

Projects relating to any of the following activities are not eligible:

1. Providing funds, directly or indirectly, for payment whether as loan repayment, dividend distribution, return of capital, loans, or otherwise to owners, partners or shareholders of the business enterprise, except as ordinary compensation for services rendered.
2. Financing a project located outside the geographic boundaries of this commonwealth.
3. Working capital expenses not directly related to COVID-19.

## **E. Loan Amounts, Matching Investment, Job Requirements**

1. The maximum loan size is \$10,000,000 per hospital. DCED will consider requests larger than \$10,000,000, based on the availability of funds and hospital's circumstances.
2. No match is required.
3. There are no job retention / creation requirements.

## **F. Interest Rates and Terms**

1. **Interest Rate** – The interest rate is 0.5%.
2. **Terms** – Loans must be repaid by September 25, 2020. Interest will accrue on the loan and be payable at the end of the term. A balloon payment of the accrued interest and principal is due by September 25, 2020, or within thirty days of the receipt of grant funds through the CARES Act, whichever date is earlier.

## **G. Collateral**

1. The loan shall be secured by an assignment of funds that each approved applicant receives through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and any other applicable federal funds provided for COVID-19 relief or preparedness ("federal COVID-19 relief funds"). If the borrower does not receive sufficient federal COVID-19 relief funds to repay the entire loan and interest, or the federal COVID-19 relief funds are not received by September 25, 2020, the borrower is responsible for repaying the balance of the principal and accrued interest. Failure to repay the loan could result in the commonwealth withholding a portion of Medicaid disbursements until the loan is satisfied. Interest will continue to accrue, beginning September 26, 2020, on any unpaid principal balance until the loan is paid in full.

## **H. Application Evaluation**

All applications will be evaluated using the following criteria:

1. The geographic location of the hospital by county (rural, urban)
2. Hospital affiliation status (independent, system-owned, system-affiliated)
3. Number of hospital employees (employed and contracted)
4. Number of total licensed beds
5. Financial need
6. Impact of COVID-19 on the hospital operations
7. Hospital payer mix

## Section II – Application Process

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### A. Supplemental Application Information

Applications will be accepted between April 13, 2020 and April 20, 2020 through DCED’s online Electronic Single Application for Assistance. In addition to the Electronic Single Application for Assistance (ESA), the applicant should include the following items when applying for a HELP loan. The forms can be found after starting an application (select the Hospital Emergency Loan Program) and going to the Addenda tab. All items should be attached electronically to the ESA submission:

1. A project narrative including the following information:
  - a. A brief description of the hospital, including (500 words maximum):
    - i. Number of employees (direct and contracted)
    - ii. Number of licensed hospital beds
    - iii. Service lines currently operational
    - iv. Hospital payer mix
    - v. Affiliation status
  - b. Amount of the loan request
  - c. A brief description of the adverse financial impact caused to date by COVID-19 and why the HELP working capital loan is needed (500 words maximum). Applicants may include information such as:
    - i. Decrease in number of inpatient visits due to cancelling elective procedures
    - ii. Impact on emergency room visits
    - iii. COVID-19 hospital visits and hospitalizations in the applicant’s facility
    - iv. Number of staff not working due to testing positive for COVID-19
  - d. A brief description for how the working capital loan proceeds will be used to finance the hospital operations (500 words maximum).
2. A Company Profile Sheet [Exhibit A] should be downloaded, completed, and attached to the ESA submission.
3. A signed W-9 form for any entity serving as a Borrower.
4. A signed Certification Sheet for the applicant [Exhibit B] should be downloaded, completed and attached to the ESA submission.
5. The most recent audited financial statements of the borrower.
6. Fiscal year to date operating margin and days cash on hand and previous fiscal year end operating margin and days cash on hand.

## **B. Application Submission**

1. Applications will be accepted between April 13, 2020 and April 20, 2020
2. The application will be processed through DCED's online Electronic Single Application for Assistance through the Hospital Emergency Loan Program. All required supplemental exhibits should be attached to the application.

## **C. Review, Approval, and Closing Process**

1. Upon receipt of an application, a review will be completed by program staff. Additional information, if needed, generally will be obtained via telephone or email.
2. Upon approval, a commitment letter will either be mailed or emailed to the borrower.

## **D. Limitations and Penalties**

1. Any material misrepresentation in any application or misuse of loan funds for ineligible activities may be cause for rejection of an application or calling a HELP loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
2. Upon reasonable request of program staff, the borrower shall permit duly authorized employees of the commonwealth to inspect the facility, books and records of the borrower and liable parties.

## **E. Contact Information**

1. Any questions regarding eligibility or application requirements should be directed to:

Phone: (717) 787-6245

Email: ra-dcedcbf@pa.gov