

The Paycheck Protection Program and Health Care Enhancement Act: Summary of “Phase 3.5” COVID-19 Stimulus Package

April 27, 2020 – Dorsey Health Law
by Alissa Smith and Carson Lamb



On Friday, April 24, 2020, President Trump signed into law the “Paycheck Protection Program and Health Care Enhancement Act,” colloquially referred to as “Phase 3.5.”

Phase 3.5 comes on the heels of three much larger bills passed into law intended to address the effects of the ongoing coronavirus

pandemic. The first three phases, the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, and the CARES Act, provided much-needed funding to hospitals and health care providers affected by COVID-19.

Phase 3.5 continues this funding by providing additional emergency appropriations totaling \$484 billion, the majority of which (\$384 billion) goes to replenishing the Paycheck Protection Program, Economic Injury Disaster Loans, and Emergency Grants funds as established in the CARES Act. Phase 3.5 allocates an additional \$75 billion to the Public Health and Social Services Emergency Fund for providers to prevent, prepare for, and respond to coronavirus. The Phase 3.5 package also includes \$25 billion for COVID-19 testing, \$11 billion of which is earmarked for states to aid in their efforts to ramp up testing.

A breakdown of the major funding provisions included in the Phase 3.5 bill is below.

Paycheck Protection Program

Phase 3.5 appropriates an additional \$321 billion to replenish the funds for the Paycheck Protection Program (“PPP”). The PPP was originally funded by the CARES Act with \$349

Related People

- Alissa Smith

Related Capabilities

- Healthcare & Life Sciences
- Healthcare Transactions & Regulations
- Healthcare Litigation
- Medical Devices

billion to protect small businesses and help them avoid layoffs and rehire employees. The loan amounts distributed under the PPP will be forgiven so long as the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs, and employee and compensation levels are maintained. Phase 3.5 specifically sets aside \$60 billion of these funds for small, midsize, and community lenders in an effort to avoid forcing smaller companies to compete with larger companies for the same funds.

Economic Injury Disaster Loans Program

Phase 3.5 appropriates \$50 billion for Economic Injury Disaster Loans and an additional \$10 billion for Emergency Injury Disaster Loan Grants.

Public Health and Social Services Emergency Fund

Phase 3.5 provides an additional \$75 billion to the Public Health and Social Services Emergency Fund for hospitals and other health care providers to prevent, prepare for, and respond to coronavirus. This fund is managed by the Department of Health and Human Services. The CARES Act originally appropriated \$100 billion to this fund, \$30 billion of which was distributed beginning on April 10, 2020 with payments arriving in eligible health care providers' bank accounts via direct deposit. On April 22, 2020, HHS unveiled the next phase of these distributions through a series of general and targeted distributions aimed in part at providing relief to those providers in areas highly impacted by COVID-19.

Funds Allocated for Testing

Phase 3.5 also provides \$25 billion to the Public Health and Social Services Emergency Fund specifically for expenses surrounding the research, development, validation, manufacture, purchase, administration, and expanding of capacities for COVID-19 testing.

A breakdown of the allocations for testing in Phase 3.5 is below:

- \$11 billion of these funds have been allocated to states to develop, purchase, administer, process, and analyze COVID-19 tests, including support for workforce, epidemiology, use by employers, scale up testing by public health and hospital laboratories, and community-based testing sites, health care facilities, and other entities engaged in testing.
- \$2 billion is to be provided to the states based on the Public Health Emergency Preparedness cooperative agreement in FY 2019;
- \$4.25 billion is to be allocated based on the number of COVID-19 cases; and
- \$750 million is to be provided to the Indian Health Service to aid tribes, tribal organizations, and Indian Health Service facilities.
- \$1 billion to the CDC for surveillance, epidemiology, laboratory capacity expansion, contact tracing, public health data surveillance and analytics infrastructure modernization, disseminating information about testing, and workforce support.
- \$1 billion to the NIH to develop, validate, improve, and implement testing and

associated technologies and to accelerate research, development, and implementation of point of care and other rapid testing.

- \$1 billion to the Biomedical Advanced Research and Development Authority to cover research expenses.
- \$22 million to the FDA to support activities associated with diagnostic, serological, antigen, and other testing.
- \$600 million to HRSA for grants under the Health Centers program.
- \$225 million to rural health clinics to provide COVID-19 testing, with such funds also available to RHCs for building or construction of temporary structures, leasing of properties, and retrofitting facilities as necessary to support COVID-19 testing.
- \$1 billion for covering the costs of testing the uninsured.

We are keeping a close eye on the rapid developments surrounding COVID-19. If you have any questions about this latest guidance issued by HHS, the CARES Act, or any questions related to COVID-19, please contact the author of this blog or contact your Dorsey and Whitney LLP attorney. You can access Dorsey's coronavirus resource center, which contains a wide variety of legal resources related to the coronavirus outbreak, available [here](#). You can also access Dorsey's health law blog related to health law updates, including those applicable to tax exempt entities in the health care space, available [here](#).