



Cash Management During a Crisis

PPP Opportunities



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Additionally, all attendees will be emailed a link to a recording of the webinar, a pdf of the presentation, and speaker bios and contact information.

Today's presentation is not:

- Legal advice
- The final word on today's topics – updates will be continuously provided via herbein.com
- Qualified for continuing education credits (i.e. CPE.)

Before taking any action, employers should review this material with internal and/or external counsel.

TODAY'S PRESENTERS



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To what extent have your business plans changed as a result of the pandemic?

- ☐ Drastic changes
- ☐ Slight changes
- ☐ No changes
- ☐ Not sure

- **Most businesses must now adapt to survive**
- **Businesses must take immediate steps to change**
- **Businesses need to develop a different roadmap**

- **Cash and cash flow are king!**
- **Focus on analysis, planning and forecasting**
- **Consider sources and uses of cash**

- **Monitor your accounts receivable carefully**
 - Accounts Receivable is the list of customers that owe you money.
 - Monitor and plan for how some customers will delay paying you - and some will default – in a downturn.
- **Get your customers to pay you faster**
 - To encourage customers to pay you faster, and avoid not being paid at all, offer prompt payment discounts.

- **Pay your bills a little slower.**
 - Like your customers, you most likely have outstanding or upcoming payables or [Accounts Payable](#).
 - The longer you wait to pay your bills, the more cash you'll have in the bank.
 - Weigh the pros and cons because paying too slow can hurt your relationship with vendors, but paying too fast can hurt cash flow.
 - Find the right mix and push for those payment terms.

- **Manage your inventory.**
 - Some businesses make the mistake of buying too much inventory, which can tie up a lot of cash.
 - *Does it make sense for your business to carry less inventory on hand and only order inventory when absolutely needed?*
 - Look to liquidate any unnecessary inventory and recoup some of that cash, even if it means selling at a discount.
- **Ask for discounts.**
 - Make a list of all the vendors you use, sorted by how much you spend with them.
 - Call the biggest ones and negotiate for lower prices.
 - Ask to sign a longer-term agreement with them in exchange for lower prices.

- **Restructure your debt**
- **Negotiate additional credit facilities**
- **Projects with a greater than 180-day payback can be placed on hold**

- Figure out your burn rate and runway
 - How quickly are you using up your cash reserves?
 - How long do you have before you run out of cash?
- Review marketing programs
 - Are there marketing programs that you should cut or reduce?

- **Review payroll**
 - For most businesses, payroll is the biggest cost. With your revised forecast, take a look at how changes in payroll could keep you afloat.
- **Assess options**
 - Freeze hiring
 - Layoffs
 - Cut all salaries by 20%
 - Cut leadership salaries

- **Review all discretionary spending**
 - From office supplies to employee perks and meals, take a close look at every expense - and see what you can cut moving forward.

- **Apply for a Paycheck Protection Program (PPP) Loan**
- **Apply for an Small Business Administration (SBA) Disaster Assistance Loan**
- **Employee Retention Credit**
 - Refundable tax credit equal to 50% of up to \$10,000 in qualified wages (including health plan expenses), paid after March 12, 2020 and before January 1, 2021.
- **Payroll Tax Deferral**
 - Allows employers to defer deposit and payment of the employer's share of Social Security taxes and self-employed individuals to defer payment of certain self-employment taxes.



PENNSYLVANIA

PPP Forgiveness and Employee Retention Tax Credit Implications

- Make premium payments to satisfy requirements
 - Premium deferral periods have expired
 - Financially distressed - carriers will make arrangements

Updating Life / Disability Limits

- Payroll likely changed due to COVID-19
- Life / Disability rates are based on payroll
 - Carriers are typically updated annually
- Try updating the carrier now to decrease premiums due

What is the current funding arrangement of your medical plan?

- ☐ Fully Insured
- ☐ Partially Self-Insured
- ☐ Level-Funded
- ☐ Self-Insured
- ☐ Not sure

COVID-19 Claims “Bottleneck” & Renewal Risk Factors

- Routine health visits are down 60%+
 - 51% are now comfortable seeing a physician
 - Claims are going to spike
- COBRA legislation poses greater risk to carriers
 - Unknown risk and timeline
- Carriers are now eliminating the COVID period when calculating renewals
 - Renewal impact
- Self-Insured / Partially Self-Insured employers have benefited

Consider Off-Cycle Plan Changes

- Organizations are not changing carriers due to COVID-19
 - Carriers are eager for new business
 - **Now** could be the most opportune time to capitalize on this
 - Keep employees whole
 - Lower cost plan option for employees
 - Some carriers have just extended the ability to add plans until July 31, 2020

Employee Separation and COBRA

- “Stick to the norm” - If you have a separation, terminate / suspend benefits immediately and issue the notice
 - 2 Steps:**
 1. Send out COBRA final rights notification
 2. Enroll the member into COBRA upon receipt of voucher & payment
- Carrier approach to COBRA legislation
 - “Suspend with no claims”
- COBRA election period - 60 days after the “outbreak period”

Implementation of EDI Feeds

- What is an electronic data interchange (EDI) feed?
 - Integration link between benefits administration system and carriers
 - Improves efficiencies by 61% and reduces errors by 30% to 40%
 - COBRA notices must be sent timely

What is your biggest area of concern for people returning to the workplace?

- ☐ Employer liability
- ☐ Employee testing & surveillance
- ☐ Proper procedures
- ☐ Personal reasons
- ☐ No concerns
- ☐ Never closed

Return to the Workplace Initiative

- Companies are purchasing PPE and workplace monitoring solutions
 - Thermal imaging kiosks, symptom trackers, and testing
- Some carriers are assisting with these costs
- Wellness funds can be negotiated at renewal
- Free services are available but ensure you weight your options
- Talk to a consultant and have a proper plan to operate safely

Adjust Business Exposures

- Adjust key policy exposures (payroll and sales estimates) to ensure your insurance premiums accurately reflect your current business situation

Strategies:

- Set up pay-as-you-go reporting for workers compensation
- Adjust general liability payroll and sales exposures
- Adjust ancillary policy exposure (EPLI, Inland Marine, Cyber etc.)
- Auto “lay-up” credit – potential premium credit for parked vehicle fleets

Tightening Markets

- The insurance market has been “hardening” over the past year
- Insurance premiums are increasing while coverage is becoming more restrictive

Contract Renegotiation

- Great time to review your current contracts
- Be creative and make it mutually beneficial
- Consider:
 - A lease extension at a lower monthly rate – everyone wins!
 - Deferring rent payments

Permanent Work from Home (WFH)

- Organizations are shifting full-time employees to remain remote
 - Many non-essential office employees - sales, etc. - do not need to attend a worksite
 - Organizational productivity has increased over this period
 - Helps with the return to the office – not as much office space needed (Facebook, Twitter, Microsoft, Google, etc.)

Temporary Labor Reallocation

- Amazing internal talent - your teammates want to work
- Identify company time not being utilized and reallocate it
 - Examples include procurement, sales development, marketing, data entry, etc.

Financial Distress

- Reach out to your consultants, partners, and vendors to make arrangements
- People want to help, and we are all in this together

- **David Peritz**
- **Tim Mudd**



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