CHC Financial and Operational Metrics and Trends

Allison Coleman, Capital Link

The “Typical” Health Center

• In 2011, the median health center had:*  
  – $10.2 million in annual revenues  
  – Assets of $11.4 million  
  – Long-term debt of $327,000 (average = $3.9 million) (of those with debt; 19% had no L-T Debt at all)  
  – Net assets of $4.1 million  

• In 2011, the average health center:**  
  – Saw ~18,000 patients annually through 71,000 visits  
  – Had 24 provider FTEs and 123 total FTEs

* Data from Capital Link’s audited financial database  
** Data from HRSA’s Uniform Data System (UDS)
**Wide Range of Size**

Total Operating Revenues by Health Center Quartile (Millions)

- 2008: $14.9, 7th Percentile: $7.3, Median: $8.0, 25th Percentile: $3.6
- 2011: $20.4, 7th Percentile: $10.2, Median: $5.2, 25th Percentile: $5.2


---

**Revenue Composition**

Revenue Composition for the Median Health Center

- 2008:
  - Operating Revenue Mix: 56%
  - Other Operating Revenue: 35%
  - Grant and Contract Revenue: 4%

- 2009:
  - Operating Revenue Mix: 57%
  - Other Operating Revenue: 35%
  - Grant and Contract Revenue: 3%

- 2010:
  - Operating Revenue Mix: 57%
  - Other Operating Revenue: 37%
  - Grant and Contract Revenue: 3%

- 2011:
  - Operating Revenue Mix: 58%
  - Other Operating Revenue: 33%
  - Grant and Contract Revenue: 4%

Net Patient Service Revenue: Shifting Patients Affect Payer Mix

Health Center Patients by Payer


The Importance of Medicaid as a Payer

% of Patients vs. % of Collections by Payer - 2011

Grants & Contracts

Health Center Grants and Contracts: Major Sources

- Foundations/Private Grants & Contracts: 12%, 35%, 53%, 61%
- State & Local Grants: 10%, 32%, 57%, 63%
- Federal Grants: 10%, 28%, 30%, 63%


Expense Structure

Health Center Employment-Related Expense as a Percent of Operating Revenue

- 75th Percentile: 77%, 78%, 77%, 78%
- Median: 72%, 72%, 72%, 72%
- 25th Percentile: 64%, 64%, 63%, 64%

Growth in Billable Providers

In a Fee-for-Service Environment, Provider Productivity Drives Revenue
Adequate Support Staff Levels Affect Productivity

![Staff Support Ratios Chart]

Payment Methodologies Are Changing!

- FQHCs currently benefit from Prospective Payment System (PPS) reimbursement
  - Fee-for-Service
  - Managed Care

- Movement toward outcome-based reimbursement methodologies rather than output-based methodologies
  - Patient Centered Medical Home
  - Accountable Care Organizations (increasingly risk-based reimbursement)
INDUSTRY FINANCIAL TRENDS

**Profitability**

Health Center Operating Margin

- 2008: 6.1% (75th Percentile), 1.8% (Median), 1.8% (25th Percentile)
- 2009: 6.2% (75th Percentile), 2.0% (Median), 2.0% (25th Percentile)
- 2010: 7.9% (75th Percentile), 2.7% (Median), 2.7% (25th Percentile)
- 2011: 7.9% (75th Percentile), 2.1% (Median), 2.1% (25th Percentile)

Profitability

Health Center Bottom Line Margin

- 2008: 8.7%
- 2009: 3.3%
- 2010: 9.6%
- 2011: 11.2%


Liquidity

Health Center Days Cash on Hand

- 2008: 80
- 2009: 81
- 2010: 84
- 2011: 90

Liquidity

Health Center Days in Net Patient Services Receivables


Liquidity

Health Center Days in All Accounts Receivables

Liquidity

Health Center Current Ratio

- 2008: 2.4, 2.4, 1.5
- 2009: 2.3, 1.4
- 2010: 2.3, 1.4
- 2011: 2.4, 2.4


---

Capital Structure and Debt Load

Proportion of Health Centers With and Without Debt

- Without Debt:
  - 2008: 77%
  - 2009: 78%
  - 2010: 80%
  - 2011: 81%

- With Debt:
  - 2008: 23%
  - 2009: 22%
  - 2010: 20%
  - 2011: 19%

Capital Structure and Debt Load

Average Debt Amount for Health Centers with Debt


Capital Structure and Debt Load

Health Center Total Liabilities/Total Net Assets (Equity) Ratio

Capital Structure and Debt Load

Health Center Debt to Capitalization

- 75th Percentile
- Median
- 25th Percentile


---

Capital Structure and Debt Load

Health Center Debt Service Coverage Ratio, Operating EBITDA

- 75th Percentile
- Median
- 25th Percentile

Financial & Operational Trends: Summary

- The health center industry is maturing and stabilizing
  - Median health center is growing, with positive operating margins, balance sheet stability, consistent cash balances, reasonably efficient cash cycles and low debt

- Health centers continue to diversify services with highest growth in dental and behavioral health

- Provider productivity is leveling off or declining

- The performance of health centers at the top and bottom quartiles is diverging
  - Therefore, good underwriting matters!