



CHC Financial and Operational Metrics and Trends

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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)



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Wide Range of Size

Total Operating Revenues by Health Center Quartile (Millions)

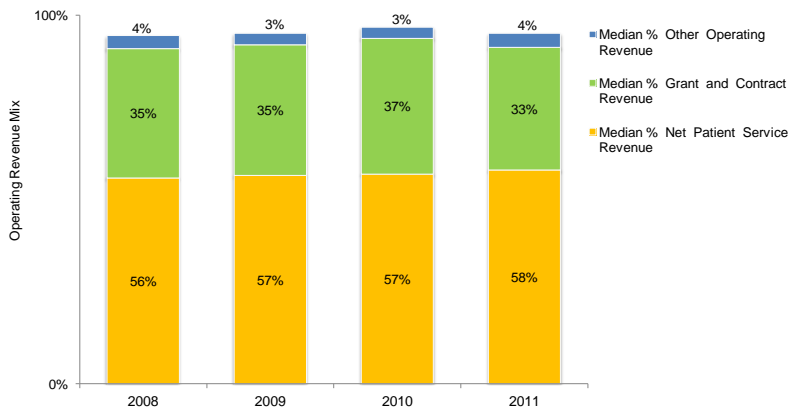


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Revenue Composition

Revenue Composition for the Median Health Center

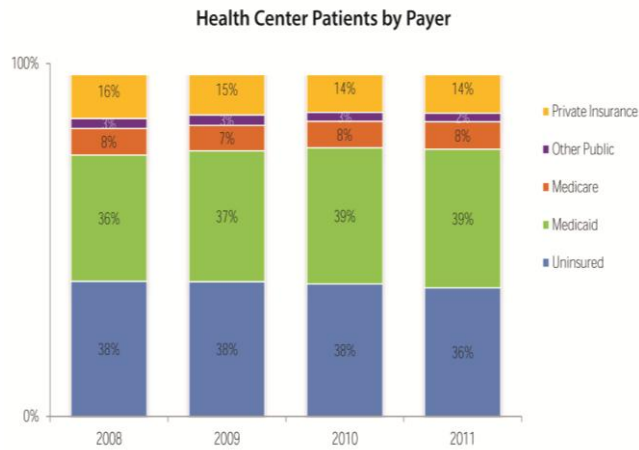


Source: Capital Link Database of Health Center Audited Financial Statements, 2008 – 2011.

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Net Patient Service Revenue: Shifting Patients Affect Payer Mix



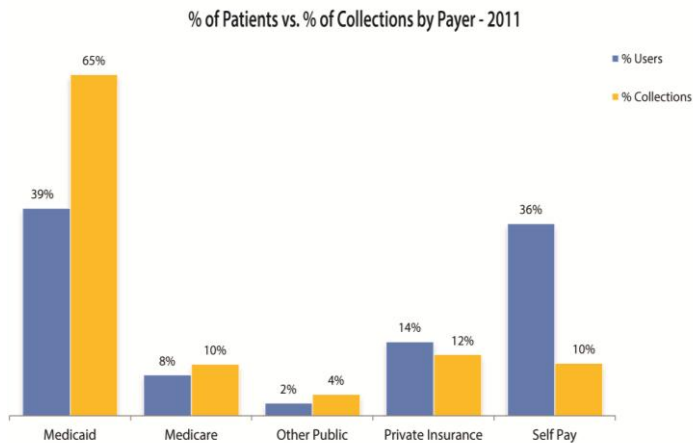
Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.

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The Importance of Medicaid as a Payer



Source: Capital Link Database of Health Center Audited Financial Statements, 2011.

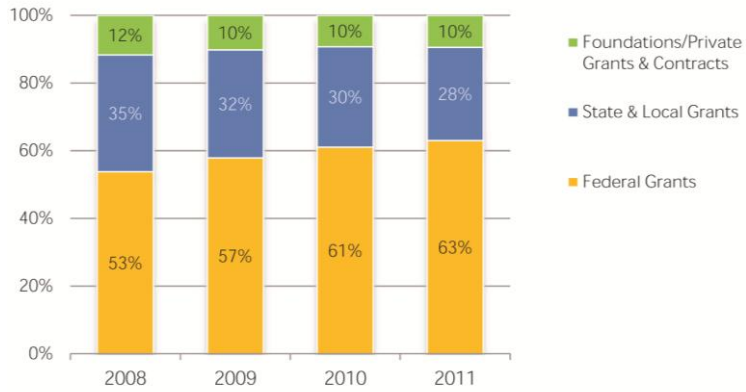
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Grants & Contracts

Health Center Grants and Contracts: Major Sources

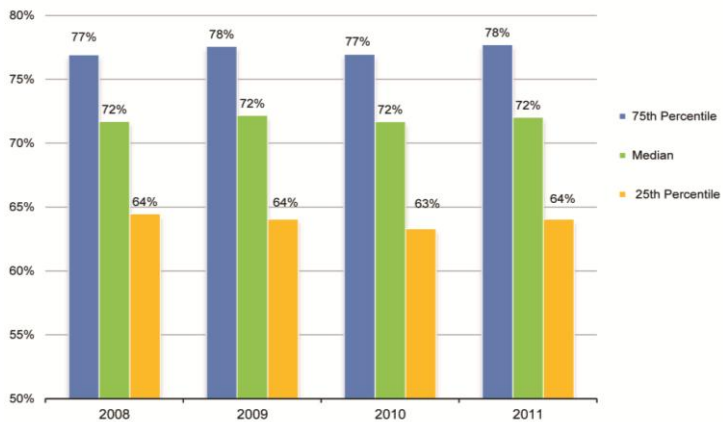


Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.



Expense Structure

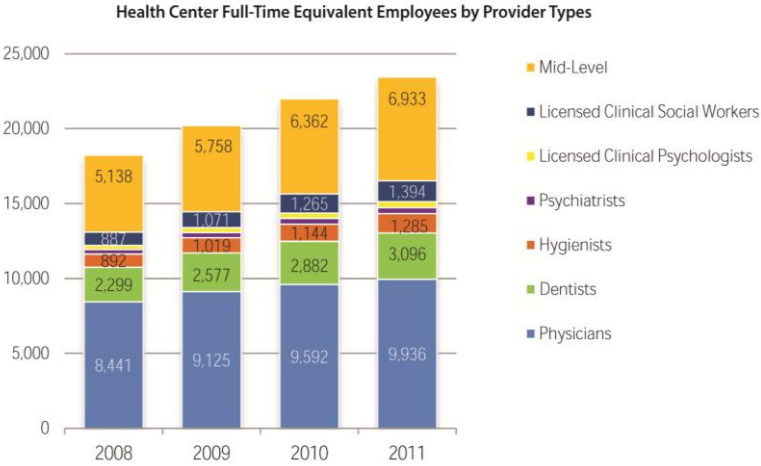
Health Center Employment-Related Expense as a Percent of Operating Revenue



Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Growth in Billable Providers

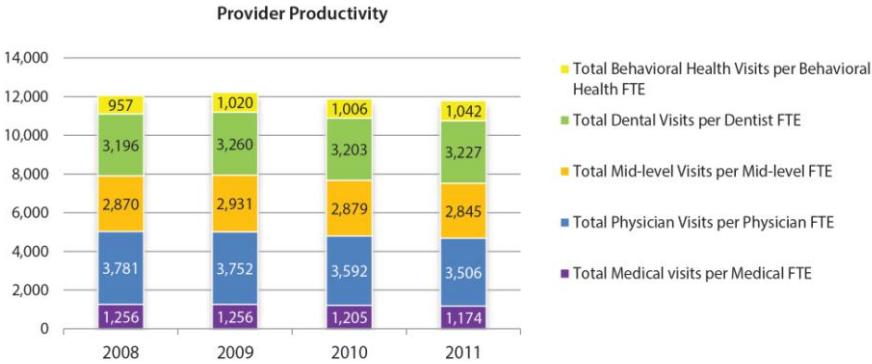


Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.



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In a Fee-for-Service Environment, Provider Productivity Drives Revenue

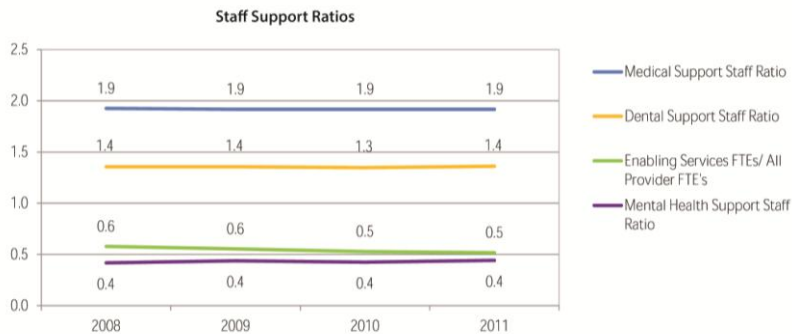


Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.



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Adequate Support Staff Levels Affect Productivity



Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.



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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)



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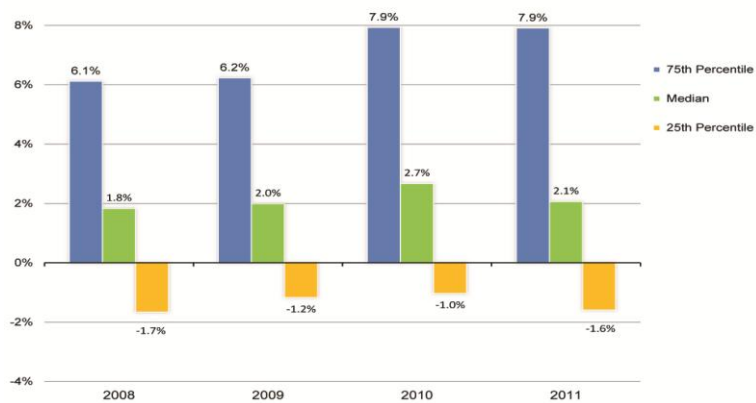
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INDUSTRY FINANCIAL TRENDS



Profitability

Health Center Operating Margin

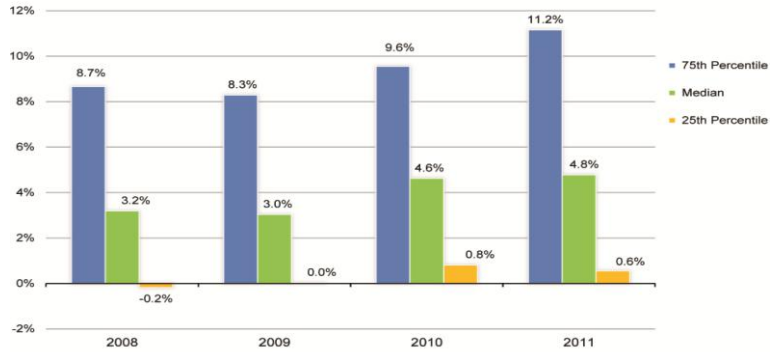


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Profitability

Health Center Bottom Line Margin

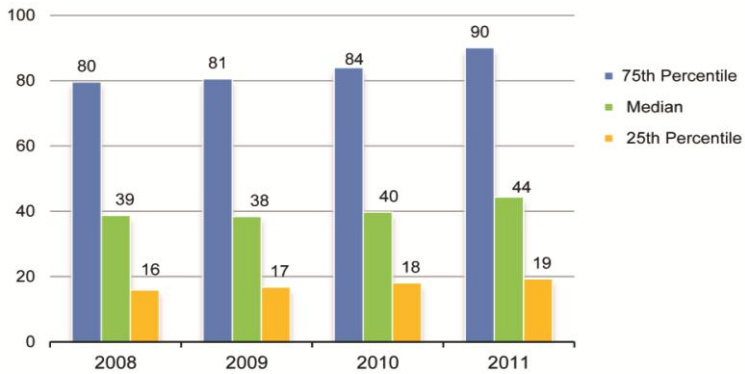


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Liquidity

Health Center Days Cash on Hand

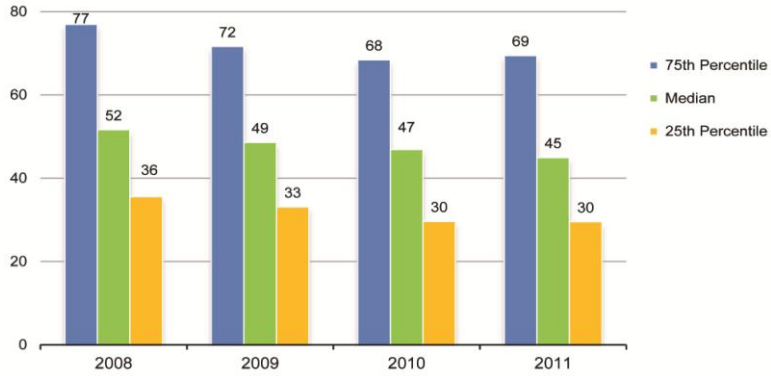


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Liquidity

Health Center Days in Net Patient Services Receivables

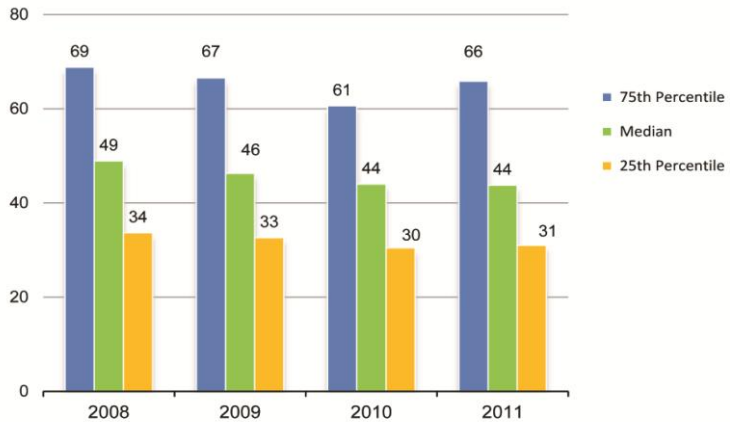


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Liquidity

Health Center Days in All Accounts Receivables

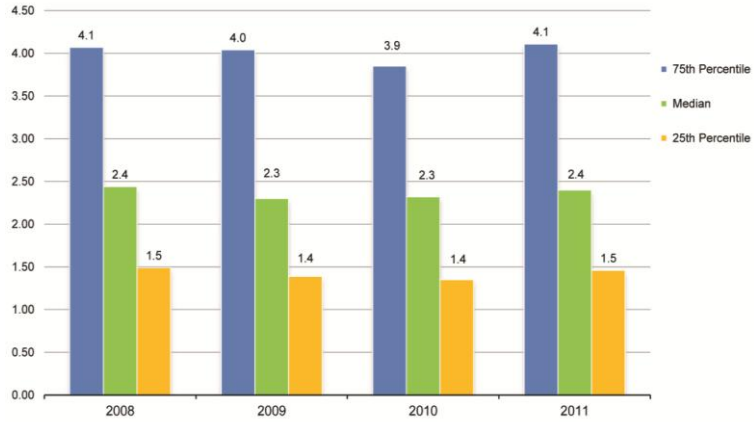


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Liquidity

Health Center Current Ratio

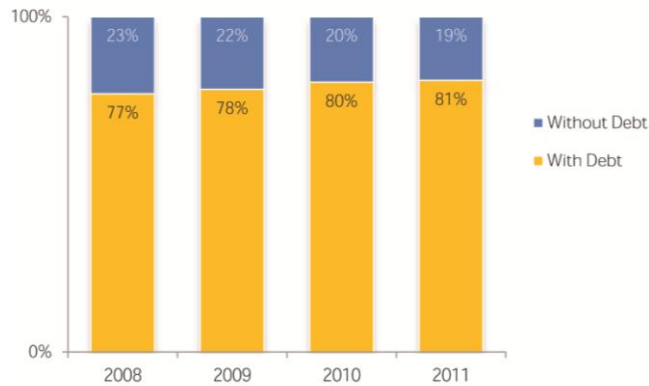


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load

Proportion of Health Centers With and Without Debt

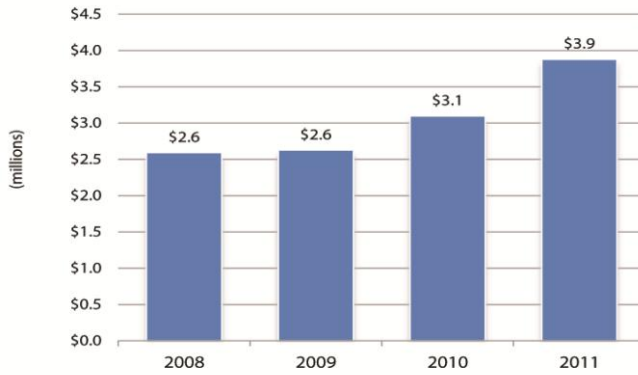


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load

Average Debt Amount for Health Centers with Debt

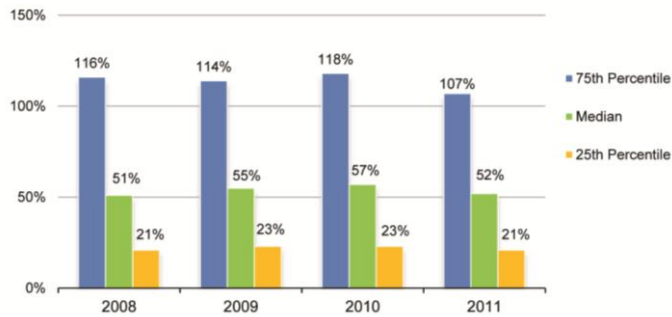


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load

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

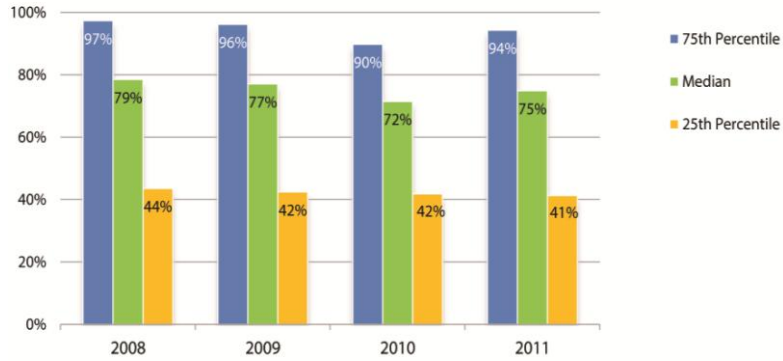


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load

Health Center Debt to Capitalization

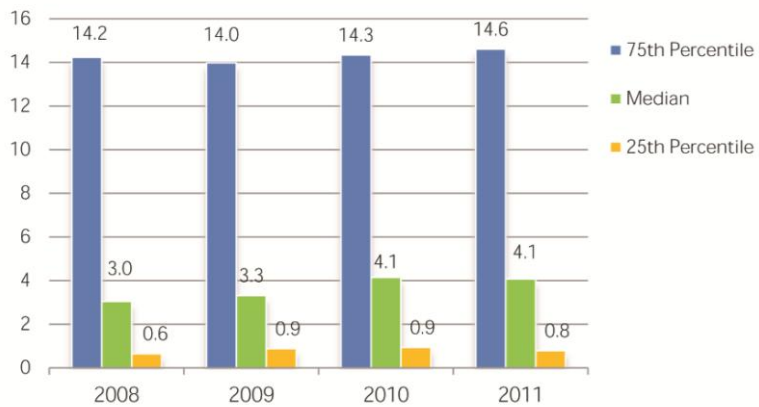


Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load

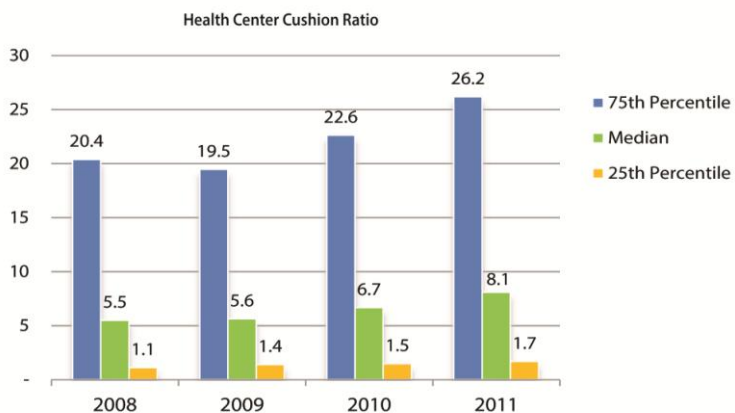
Health Center Debt Service Coverage Ratio, Operating EBIDA



Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



Capital Structure and Debt Load



Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



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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!



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