



CHC Financial and Operational Metrics and Trends

Allison Coleman, Capital Link



Provided by **OPPORTUNITYFINANCE** NETWORK

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)

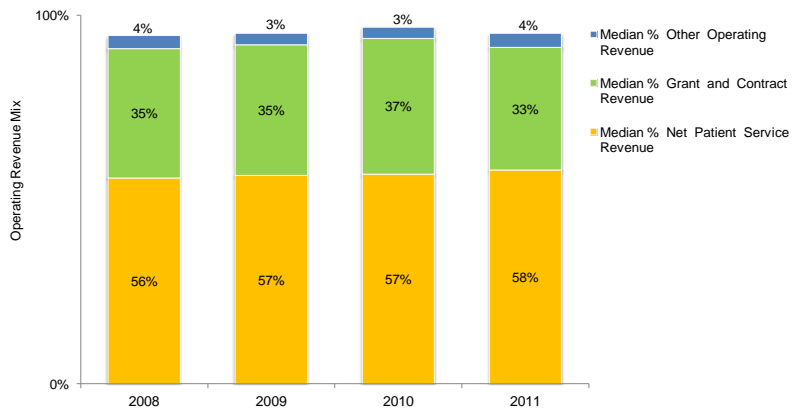


3

Provided by OPPORTUNITYFINANCE NETWORK

Revenue Composition

Revenue Composition for the Median Health Center



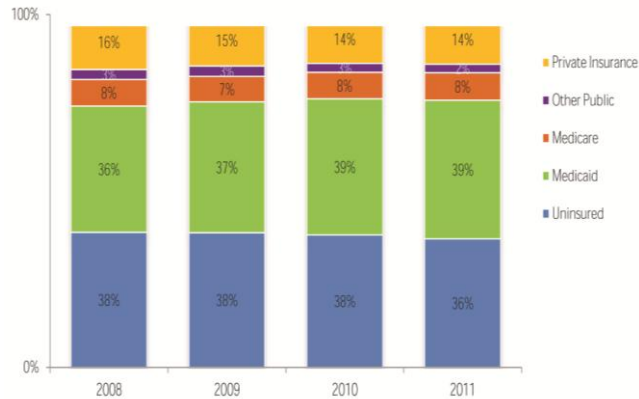
Source: Capital Link Database of Health Center Audited Financial Statements, 2008 – 2011.

4

Provided by OPPORTUNITYFINANCE NETWORK

Net Patient Service Revenue: Shifting Patients Affect Payer Mix

Health Center Patients by Payer



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

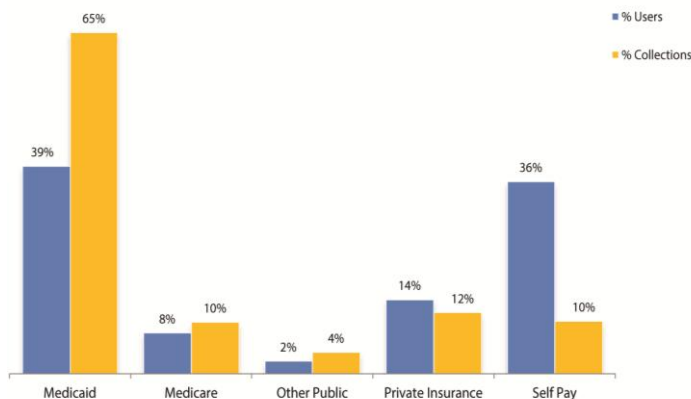
5



Provided by OPPORTUNITYFINANCE NETWORK

The Importance of Medicaid as a Payer

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



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

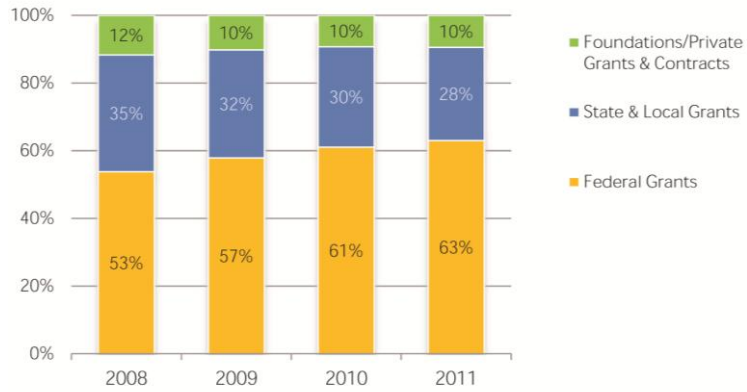
6



Provided by OPPORTUNITYFINANCE NETWORK

Grants & Contracts

Health Center Grants and Contracts: Major Sources



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

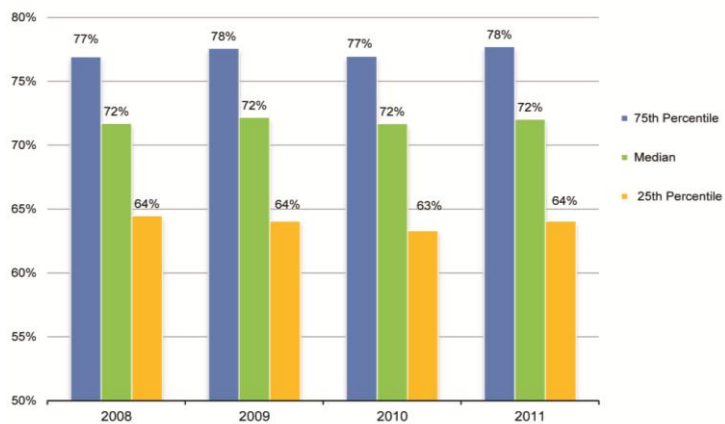


7

Provided by **OPPORTUNITYFINANCE** NETWORK

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.

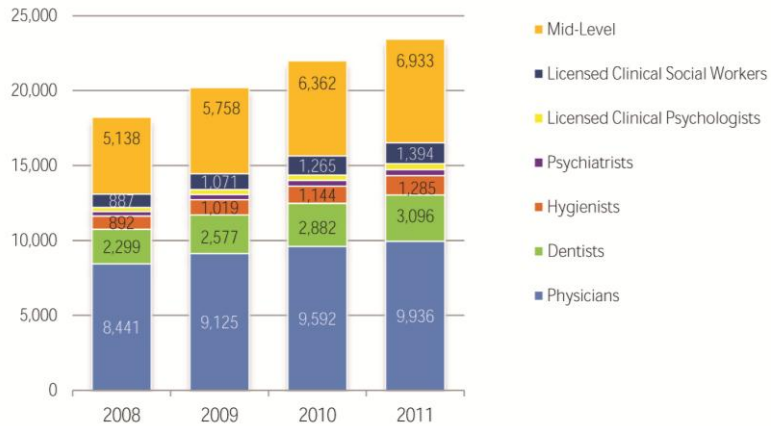


8

Provided by **OPPORTUNITYFINANCE** NETWORK

Growth in Billable Providers

Health Center Full-Time Equivalent Employees by Provider Types



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

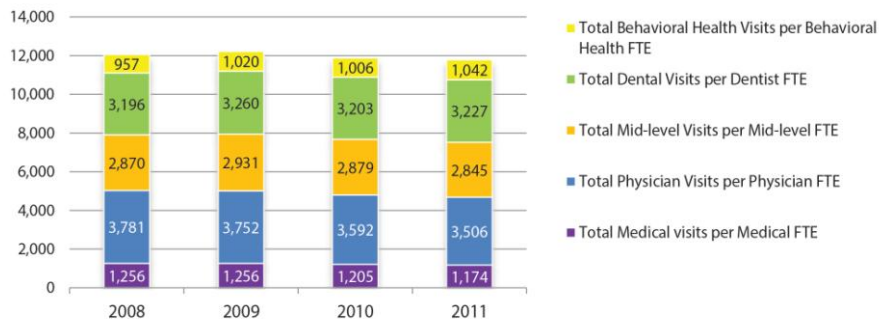
9



Provided by **OPPORTUNITYFINANCE** NETWORK

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

Provider Productivity



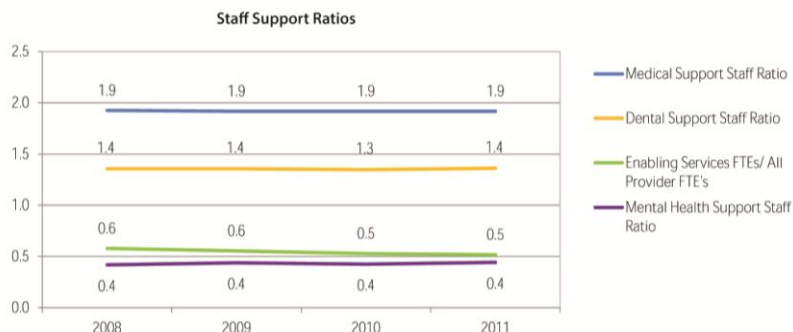
Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2008-2011.

10



Provided by **OPPORTUNITYFINANCE** NETWORK

Adequate Support Staff Levels Affect Productivity



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



11

Provided by OPPORTUNITYFINANCE NETWORK

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)



12

Provided by OPPORTUNITYFINANCE NETWORK

INDUSTRY FINANCIAL TRENDS

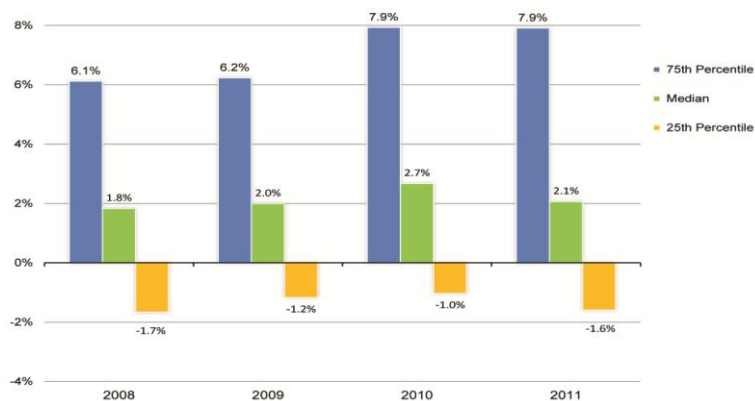


13

Provided by OPPORTUNITYFINANCE NETWORK

Profitability

Health Center Operating Margin



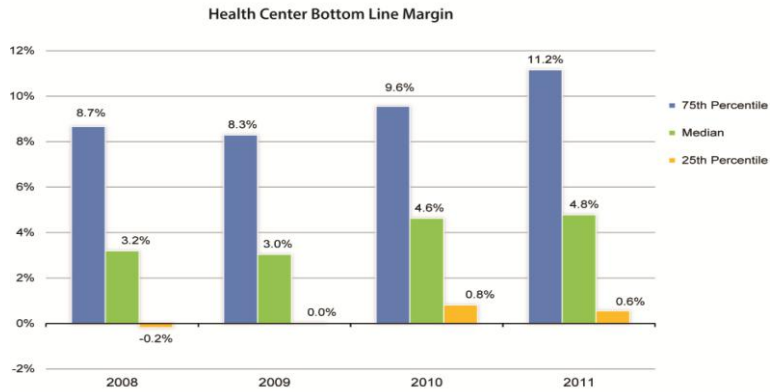
Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



14

Provided by OPPORTUNITYFINANCE NETWORK

Profitability



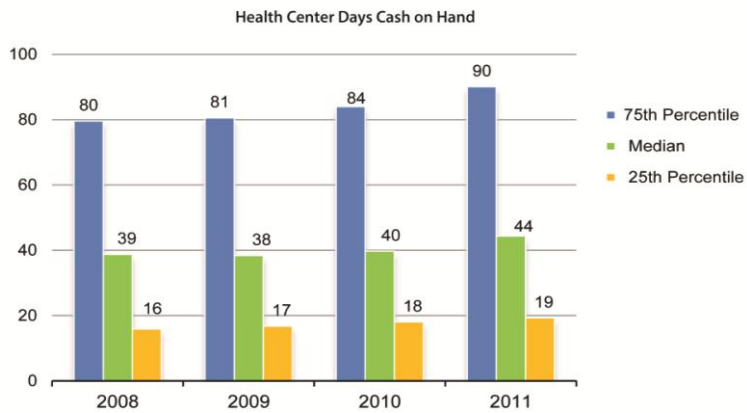
Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



15

Provided by OPPORTUNITYFINANCE NETWORK

Liquidity



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

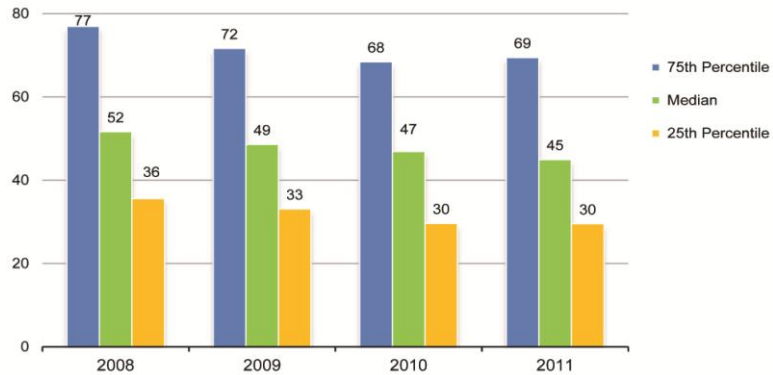


16

Provided by OPPORTUNITYFINANCE NETWORK

Liquidity

Health Center Days in Net Patient Services Receivables



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

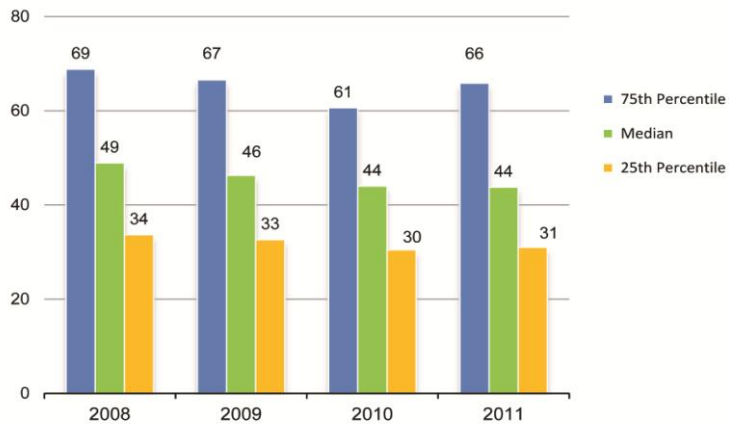


17

Provided by OPPORTUNITYFINANCE NETWORK

Liquidity

Health Center Days in All Accounts Receivables



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

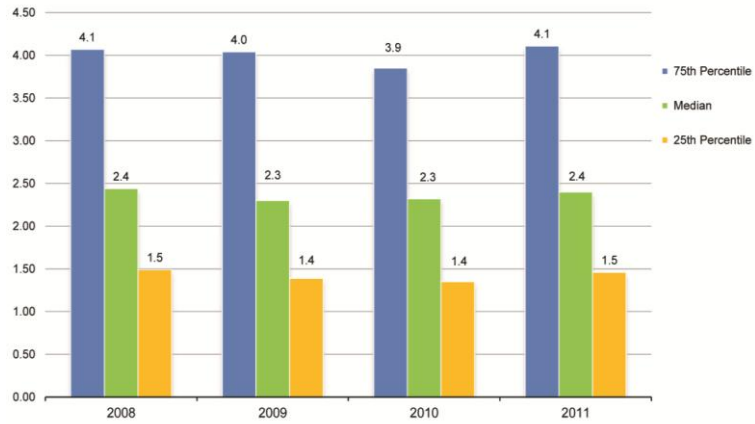


18

Provided by OPPORTUNITYFINANCE NETWORK

Liquidity

Health Center Current Ratio



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

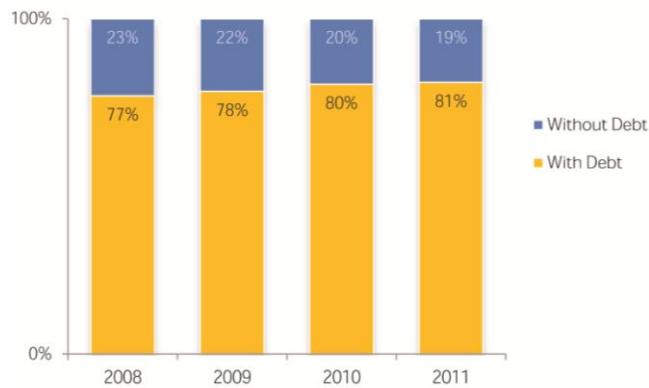


19

Provided by OPPORTUNITYFINANCE NETWORK

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.

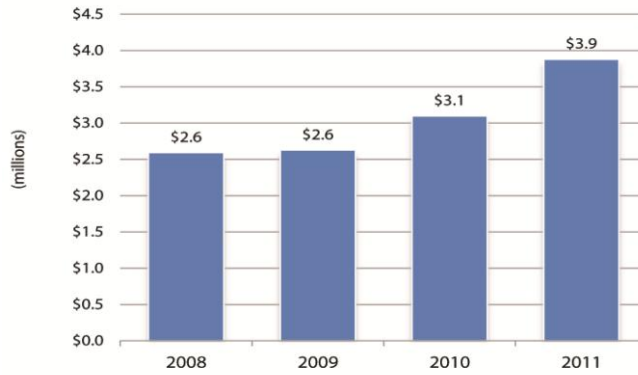


20

Provided by OPPORTUNITYFINANCE NETWORK

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.

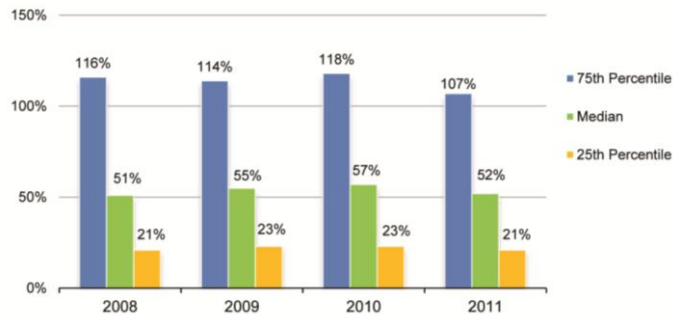


21

Provided by OPPORTUNITYFINANCE NETWORK

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.

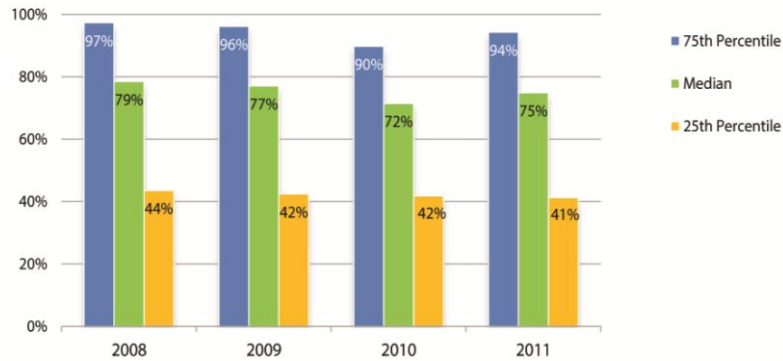


22

Provided by OPPORTUNITYFINANCE NETWORK

Capital Structure and Debt Load

Health Center Debt to Capitalization



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

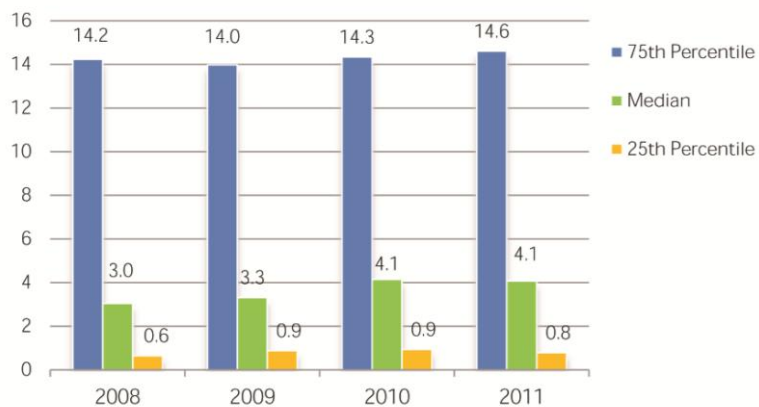


23

Provided by OPPORTUNITYFINANCE NETWORK

Capital Structure and Debt Load

Health Center Debt Service Coverage Ratio, Operating EBIDA



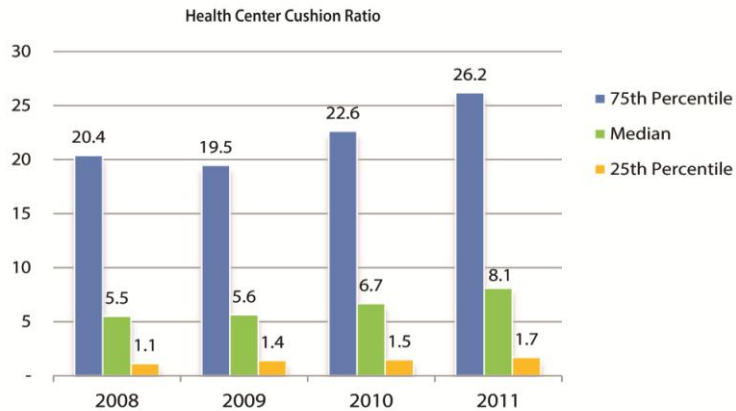
Source: Capital Link Database of Health Center Audited Financial Statements, 2008-2011.



24

Provided by OPPORTUNITYFINANCE NETWORK

Capital Structure and Debt Load



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



25

Provided by OPPORTUNITYFINANCE NETWORK

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!



26

Provided by OPPORTUNITYFINANCE NETWORK