Financing Community Health Centers

Defining the CHC Landscape

Allison Coleman, Capital Link

Agenda

- History of CHCs
- Industry Snapshot
- Definitions and 5 Basic Characteristics
- Health Center Services
- Accomplishments and Economic Impact
- Basic Financial Model and Payment Sources
- Affordable Care Act Implementation
- Long Term Growth Prospects

History of Community Health Centers

- Roots in community-based economic development and community empowerment – War on Poverty
- Provide access to health care for underserved and uninsured
- The first federally-funded (through the Office of Economic Opportunity) health centers opened in 1965
  - Urban – Columbia Point Health Center (now Geiger-Gibson CHC) in Dorchester, MA
  - Rural – Mound Bayou, Mississippi (now Delta Health Center)

FQHC Health Centers Today *

- 1,291+ health center Section 330 Grantees and Look-alikes; 9,170 sites
  - ~48% rural / ~52% urban
- In 2012, provided care to 22 million patients through 87.2 million visits
  - ~72% of patients are below poverty
  - ~93% are low income (below 200% of FPL)
- Employ 153,700 FTEs
- Are funded through HRSA/BPHC (Section 330s)
- Create multiple positive economic and social benefits for their communities

* Source: 2012 UDS National Roll-up Data

Who are their patients?

- In 2011 Health Centers Served…
  - 1 in 7 **Medicaid beneficiaries**
  - 1 in 7 **uninsured persons, including**
    - 1 in 5 **low income uninsured**
    - 1 in 3 individuals in **poverty**
    - 1 in 3 **minority individuals in poverty**
    - 1 in 3 **children in poverty**
    - 1 in 7 **rural Americans**

Source: *A Sketch of Community Health Centers: Chart Book 2013,* National Association of Community Health Centers, 2013.

What is a "Health Center"?

- Federally Qualified Health Center (FQHC)
- Other
  - Rural Health Center (RHC)
  - Free clinic
  - Other safety net (hospital-owned)
  - Other non-safety net

What is an FQHC?

- **Technically**, the term is used by CMS (Centers for Medicare and Medicaid Services) to indicate that an organization is approved to be reimbursed under Medicare and Medicaid using specific methodologies (laid out in the statute) for FQHCs.
- **Three types:**
  - "Section 330s" (of the Public Health Service Act)
  - "Look-alikes"
  - Tribal or Urban Indian Health Organizations

FQHCs: Five Basic Characteristics

- Location in **high-need areas**
- **Comprehensive** health and related services (especially "enabling services")
- Open to all residents, **regardless of ability to pay**, with charges prospectively set based on income
- Governed by **community boards**, to assure responsiveness to local needs
- Held to strict **performance/accountability standards** for administrative, clinical, and financial operations

Services Offered by Health Centers

- Primary Medical Care
- Preventive Health Care
- Prenatal, Perinatal, & Newborn Care
- Gynecological Care
- HIV Care
- Hearing/Vision Screening
- Oral Health
- Mental Health
- Substance Abuse
- Pharmacy
- X-Rays and Lab
- Specialty Medical Care
- Enabling Services

Types of Enabling Services

- Case management
- Environmental health risk reduction
- Health education
- Interpretation/translation services
- Outreach
- Child care (during visits)
- Transportation
- Home visiting
- Parenting education
- Employment referral & counseling
- Testing for blood lead levels
- Food bank/meal delivery
- Housing assistance

Accomplishments of Health Centers

- **Excellent Quality of Care**: More effective care, better use of preventive care, fewer infant deaths
- **Major Impact on Minority Health**: Significant reductions in disparities for health outcomes, receipt of preventive and condition-related care
- **Cost-Effectiveness**: 24% lower overall costs, lower specialty referrals and hospital admissions, $24B in health system savings
- **Significant Community Impact**: Employment and economic effects, contribution to community well-being, development of community leaders

Provided by OPPORTUNITY FINANCE NETWORK

Economic Impacts

- Overall national economic impact of **$23.44 billion** in 2011
- Large urban health center generates an average total economic impact of **$21.6 million** annually
- Average small rural health center generates about **$3.9 million** annually
- In addition to jobs and economic benefits, health centers are economic anchors in the communities they serve

Source: *Infographic: Community Impact of Health Centers Continues to Increase,* Capital Link, 2013 and internal Capital Link data.

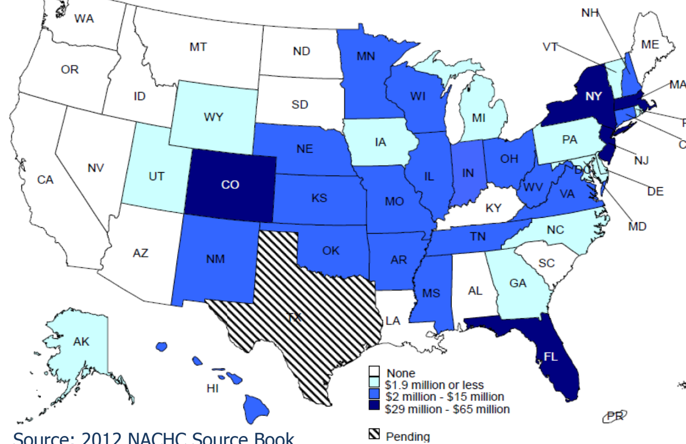
Provided by OPPORTUNITY FINANCE NETWORK

Federal Support for FQHCs

Section 330s	Look-alikes
Federally protected cost-based Medicaid and Medicare reimbursement (PPS)	Federally protected cost-based Medicaid and Medicare reimbursement (PPS)
Annual federal operating grant from HRSA	
Malpractice protection under the Federal Tort Claims Act (FTCA)	
Access to discounted pharmaceuticals for patients through 340B Drug Pricing Program	
HRSA Loan Guarantee	

Provided by OPPORTUNITYFINANCE NETWORK

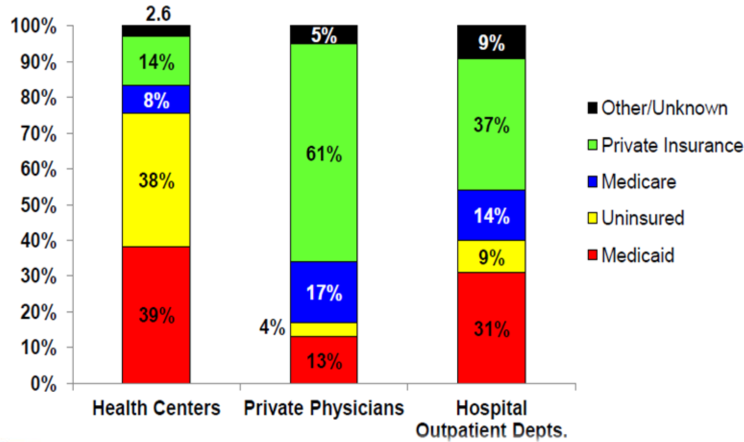
Some States Directly Support Health Centers



Source: 2012 NACHC Source Book

Provided by OPPORTUNITYFINANCE NETWORK

Health Center Patient Mix Is Unique Among Ambulatory Care Providers

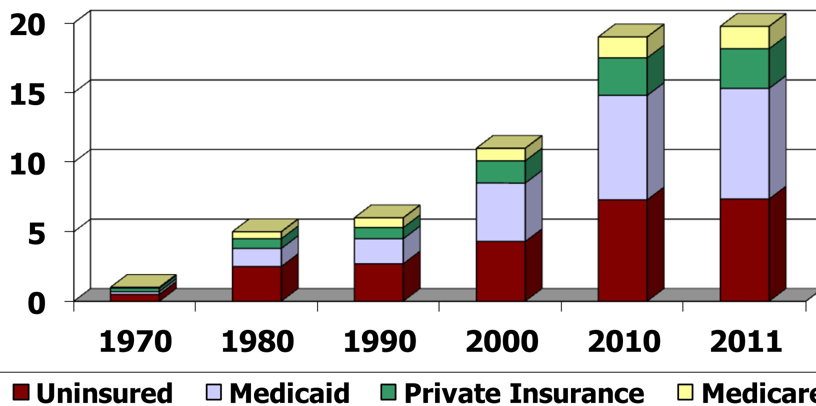


Note: Different patient mix leads to different payer mix!

Provided by OPPORTUNITYFINANCE NETWORK

Health Center Growth: 1970 - 2011

Number of Persons Served by Coverage Source (in millions)



Uninsured Medicaid Private Insurance Medicare

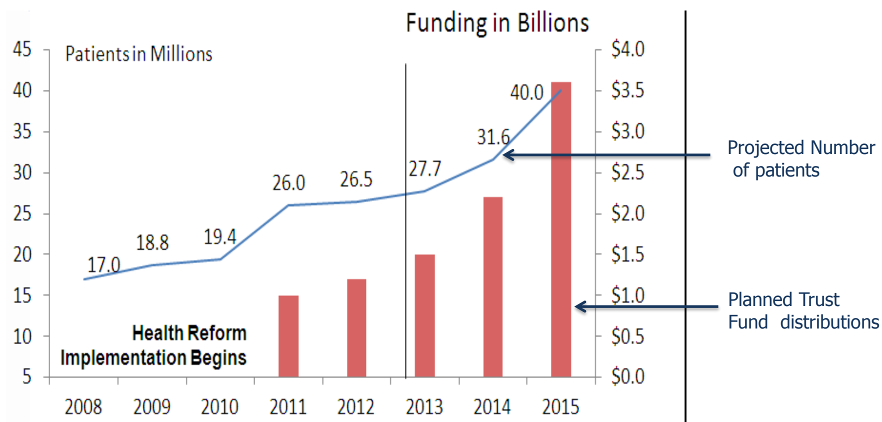
Provided by OPPORTUNITYFINANCE NETWORK

Affordable Care Act and FQHCs: What's Next?

- Growing focus on Primary Care
  - Establishment of CHC Trust Fund
    - $11 billion in new Section 330 funding (2011 – 2015)
  - Expansion of Medicaid (in some states)
  - Creation of Insurance Exchanges

Provided by OPPORTUNITYFINANCE NETWORK

Funding and Patient Targets



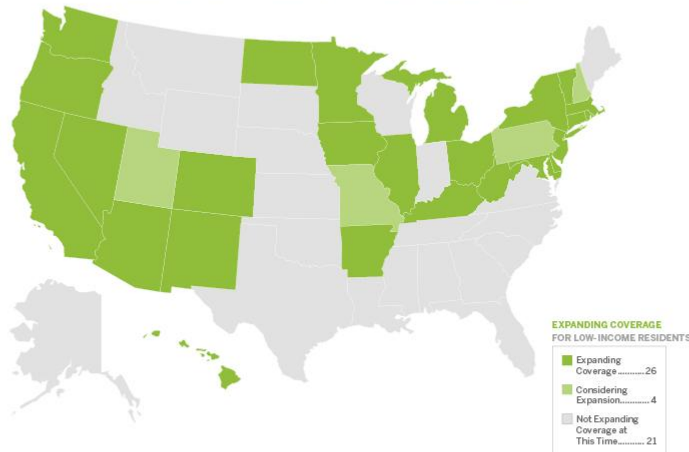
In 2011, due to budget challenges, only $400 million was provided rather than $1 B in new HC funding. Cuts outlook for patient growth to probably closer to serving 30 million by 2015.

Provided by OPPORTUNITYFINANCE NETWORK

Medicaid Expansion By State

Where the States Stand on Medicaid Expansion

25 States, DC, Expanding Medicaid—November 6, 2013



Notes: Based on literature review as of 11/6/13. All policies subject to change without notice.
HHS has announced that states can obtain a waiver to use federal funds to shift Medicaid-eligible residents into private health plans.
The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.

Learn more about ACA implementation at advisory.com/daily-briefing

© The Advisory Board Company

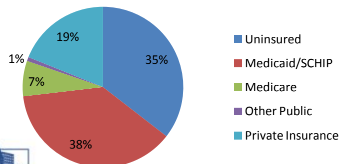
Provided by OPPORTUNITYFINANCE NETWORK

Looking into the Crystal Ball: The Massachusetts Experience

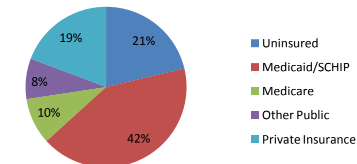
- Between 2005 and 2011 at MA health centers, patients increased by 43% and visits increased by 51%

MA Section 330s	2005	2011	6-Year Change
Total Patients	431,005	615,708	43%
Total Visits	2,043,487	3,086,121	51%

MA FQHC Payer Mix, 2005
Pre-Health Reform

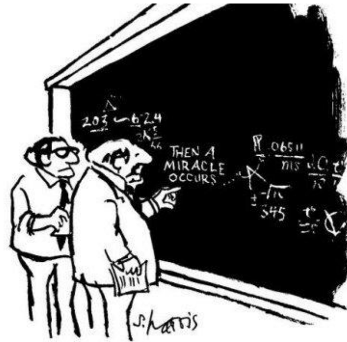


MA FQHC Payer Mix, 2011
6 Years Post-Health Reform



Provided by OPPORTUNITYFINANCE NETWORK

Questions?



"I THINK YOU SHOULD BE MORE EXPLICIT HERE IN STEP TWO."