

A Message from the CEO

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When my grandmother was growing up on a farm in rural Missouri at the turn of the last century, her mother used to view any “idleness” with great suspicion. If she were ever caught “just reading” her mother would say to her, “Don’t just stand there; do something.” So, my grandmother devised a way to read, rock a baby cradle with her foot and stir the soup at the same time—multi-tasking, early 20th century style!



Allison Coleman, CEO

Fast forward a century and we are all multi-tasking all the time. That’s especially the case at health centers, where virtually everyone is working to improve quality outcomes for patients; restructure internal processes to meet Patient-Centered Medical Homes guidelines; implement EMRs; achieve meaningful use standards; oh, and yes, build or expand a new health center!

At the same time, we are all facing tremendous uncertainty: What if your state decides not to expand Medicaid? What happens if your funding is affected by fiscal cliff negotiations? How will payment reform affect your health center’s financial viability? In the face of these uncertainties, it’s easy to get paralyzed on the capital development front—especially when you have so much else going on. But “doing nothing” is not an option when so much of our world is changing around us.

This issue of *Capital Ink* offers some alternatives to help you make progress on the capital planning front—highlighting actions you can take now to position yourself for the future, whatever it may bring. Don’t just stand there; do something!

Regards,

Allison Coleman
CEO





Federal Update

As the Dust Settles: How Election 2012 will Impact Health Centers and Capital Growth

Now that the political ads have (thankfully) ended, it's time to examine how the 2012 election results will affect health centers and growth opportunities in the months and years to come.

Below is a brief summary of the key federal issues going forward:

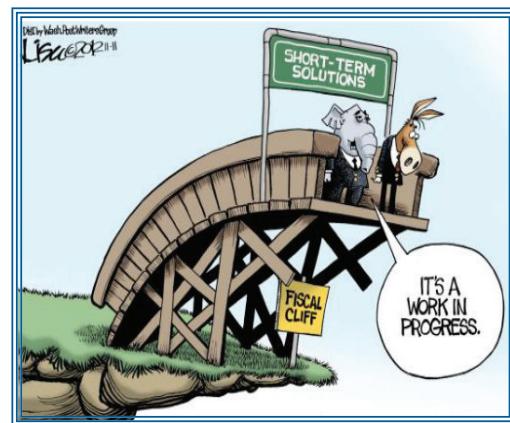
Full Speed Ahead: Affordable Care Act Implementation

President Obama's re-election effectively ended any legislative hopes of repealing the Affordable Care Act before it is fully implemented. As a result, states that had been waiting for the election to decide how to proceed with implementation now have their work cut out for them. States are moving rapidly to make decisions regarding whether and how to adopt state-based health insurance exchanges. The Obama Administration even extended the notification deadline to give states more time to decide.

At the same time, many states are also seriously considering whether to take advantage of the law's Medicaid expansion. Since the election, the Obama Administration has announced that states do not have the authority to undertake partial expansions. As a result, states must decide whether to opt in for the entire ACA expansion, or to continue their Medicaid program in its current form. State legislatures will almost certainly keep this debate going in the months ahead. From a health center growth perspective, now is the time to finalize market assessments, fine tune patient projection estimates, and tell the story of likely patient growth to funders, policy leaders, and community allies.

Initial Cliff Averted—but Spending Levels Remain in Limbo

Although Congress narrowly avoided the so-called “fiscal cliff” at the beginning of the year by resolving several revenue issues, they postponed for two months many tough decisions—including how to handle spending cuts. As Congress and the President work to negotiate a new framework for federal spending and tax policy, they will do so amidst the backdrop of scheduled sequestration cuts on March 1st if no deal is reached. At the same time, Congress will need to finalize FY13 appropriations which are currently operating on a Continuing Resolution until March 27th.



New Access Point Grant Opportunities Announced

The Health Resources and Services Administration (HRSA) is soliciting applications for New Access Point (NAP) grants. Applications are due February 27th, 2013. For more information and details please visit this link:

[http://www.nachc.com/client//HRSA-13-228%20final%20\(2\).pdf](http://www.nachc.com/client//HRSA-13-228%20final%20(2).pdf)



Federal Update (continued)

Don't Miss Out! How to Prepare for NMTC Financing Now That It's Reauthorized

Are you planning to begin a capital project in the next several years, but didn't receive funding from HRSA's Capital Development-Building Capacity (CD-BC) Program? Or, did you receive a grant, but still need additional funds to complete your project? Don't despair! Many health centers have achieved success by seeking funds from a variety of sources.

As part of the fiscal cliff deal, Congress reauthorized the New Markets Tax Credit Program for the next two years--creating a great opportunity for health centers seeking additional equity for their projects. The New Markets Tax Credit Program, administered by the U.S. Treasury Department's Community Development Financial Institutions Fund, was created in 2000 as an incentive to provide private investment capital to businesses and nonprofits located in qualifying urban and rural low-income communities that cannot otherwise obtain traditional financing. NMTC financing has offered some borrowers access to project financing with below-market interest rates and the potential for forgiveness of a portion of the debt after seven years.

For more information about the program and how it works, health centers and PCAs can access Capital Link's recently released *Spotlight on Capital Resources: New Markets Tax Credits* here:

<http://www.caplink.org/resources/publications>.

Don't delay! The next allocations will be awarded in April 2013 to a limited number of Community Development Entities (CDEs). For your project to be considered for financing, you must be ready with an identified/secured site, architectural plans and a complete business plan. For assistance in determining your project's eligibility for this favorable financing and for help in assembling the needed application information, please contact Mark Lurtz at mlurtz@caplink.org.

Spotlight on Capital Resources: New Markets Tax Credit Program



What is the New Markets Tax Credit Program?

In 2000, Congress passed legislation creating a new economic development tax credit program called New Markets Tax Credits (NMTC). This tax credit was designed to stimulate private investment in low-income communities. The program is administered by the Community Development Financial Institutions (CDFI) Fund under the US Department of the Treasury.

Through a series of competitive application cycles, the CDFI Fund allocates tax credits to Community Development Entities (CDEs). As organizations focused on providing financing in economically-disadvantaged areas, CDEs work to attract investors (primarily banks and large corporations) to provide them with capital in exchange for federal tax credits. The CDEs, in turn, lend or invest this capital in businesses located in targeted census tracts to spur economic growth.

Because the service areas of many federally qualified health centers ("FQHCs" or "health centers") overlap these specific census tracts, health centers can often qualify to utilize NMTC investments as part of their capital financing. NMTC transactions typically provide below-market, interest-only loans during the seven-year tax credit period; most transactions are also structured so that all or a portion of the original investment amount can become equity to the health center at the end of year seven—in effect, the NMTC portion of the investment does not need to be repaid.

That's interesting, so how does it work?

Non-profit tax exempt organizations such as FQHCs typically think they are not eligible to participate in the program because as NMTCs, they have been developed that allow them to benefit. NMTC structures are complex and can be intimidating for health center boards and staff. However, by focusing on the real benefit that accrues to the health center and its capital project, boards and staff can successfully work through the intricacies of the program details for a very favorable financial outcome.

NMTC transactions generally involve three levels: (1) the Fund level; (2) the CDE level and (3) the Borrower level, expressed graphically like this:



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Our latest NMTC resource

\$100 Million "Healthy Futures Fund" Launched to Expand Access to Health Care and Affordable Housing

On January 14, Morgan Stanley, The Kresge Foundation and the Local Initiatives Support Corporation (LISC) announced the launch of a first-of-its kind \$100 million investment fund. The Healthy Futures Fund is designed to expand access to health care and affordable housing for low-income residents and fund critical social services that help link the two in impoverished neighborhoods. Capital Link and Community Health Center Capital Fund are pleased to be partners in this unique collaboration.

\$100 Million “Healthy Futures Fund” Launched to Expand Access to Health Care and Affordable Housing (continued)



The initial capital of the Healthy Futures Fund will help build 500 housing units with integrated health services and to construct eight federally qualified health centers that will serve an estimated 75,000 people and create 2,200 jobs in hard-hit communities. The fund provides an excellent opportunity for health centers to access low-cost financing for capital projects that will allow them to offer needed services to residents of low/moderate income housing.

Responding to the anticipated demand of 20 million new health care consumers created by the Affordable Care Act, the Healthy Futures Fund intentionally builds connections between health care providers and housing developers to provide real solutions. The fund is utilizing federal Low Income Housing Tax Credits, federal New Markets Tax Credits, grants, loans and guarantees to raise capital. Morgan Stanley is investing \$63 million in equity through the Low Income Housing and New Markets Tax credits. The Kresge Foundation, LISC and Morgan Stanley are providing another \$37 million in loan and grant capital for the projects.

Grant funding to support planning and technical assistance activities for health centers intending to apply for financing through this program will be available to a limited number of health centers. For eligible health centers, this grant funding can support a portion of the costs of developing the business plan and other application materials for the program—helping to accelerate your project’s readiness for financing. Contact Mark Lurtz at mlurtz@caplink.org for details.

To access the press release, visit Capital Link’s website at www.caplink.org/news.

“Work with What You’ve Got”: How to Optimize the Operations You Have While Planning for Expansion

Uncertainty surrounding Medicaid expansion/non-expansion and the sluggish economy have health centers wondering whether the time is right for a capital project. Even if your health center is thinking of postponing your expansion plans given the current environment, there are proactive steps you can take now to optimize your operations and maximize your bottom line. This exercise has the added benefit of strengthening your operating model so you are ready when the time comes to proceed with an expansion.

Always Start by Optimizing Current Assets:





"Work with What You've Got" (continued)

Facility Maximization Planning

Facility Maximization Planning helps identify existing redundancies and deficits in program, staffing and facility areas so that health centers can optimize their operations in their current buildings. This process can be extremely useful for health centers that are in the early stages of planning and funding expansions and must make the best use of the facilities at their disposal. A completed Facility Maximization Plan identifies what adjustments are required in the physical space in order to accomplish the defined program, operational and staffing plans. Organized by site and priority, it includes recommendations for the repurposing of existing spaces with and without renovation, as well as changes in equipment and furnishings to maximize the utilization of the current space. Capital Link is increasingly working with health centers to make sure that they are maximizing their current facilities while planning for future expansion.

Operational Forecasting

Preparing an ongoing, rolling operational forecast is a natural step to follow Facility Maximization Planning. Once your health center knows the nature of the adjustments needed to operate more efficiently, the changes to your revenue and expense structures are incorporated into a new set of operating projections. For example, if your health center has created new exam rooms by repurposing existing space, this change should have a positive effect on provider productivity, which in turn affects revenue.

For more information on these processes, contact Cindy Barr, Capital Link Operations and Facilities Planner, at cbarr@caplink.org.

Designing a New Facility? Learn From Others – But Make It Your Own

As we struggle to align our programs and processes to maximize revenue, while remaining culturally relevant and clinically effective, facility development is often seen as “just one more thing”; distinctly remote from the everyday reality of “stomping out the fires” on the front lines of clinic operations. As a new year begins, reorient your planning process by harnessing the power of facility development as a unifying catalyst to drive operational change. The goal is to create a place to effectively impact the health of the community. The key is to define how to best accomplish that goal, and then create the tool that will daily support the desired activity.

As a starting point, gather health center leadership for a brainstorming session shaped around the following questions.

- What are we currently squeezing in that needs a *proper place*?
- What are we currently doing that we could effectively *do more of* if we had space?
- What are we not doing that *needs* to be done?
- What have we *promised* to do when we have adequate resources?
- What will we be *expected* to do in the future?
- How will we *measure success*?

Designing a New Facility? Learn From Others – But Make It Your Own (continued)



What are other health centers doing?

- **Website Review:** Take a broad brush stroke and do a search using “clinic design”, “medical office layout” or dental office layout”. Do you see any patterns that appeal to you? Do you see any trends in layout? What are the common elements used in creating environments that are stress-reducing and process supportive? Take a targeted approach and work down the list of ARRA funded health center projects (available on the HRSA website) looking for unique responses to common process issues.
- **Site Visits:** Visit two or three health centers that have recently completed facility projects. Choose carefully! Does the health center utilize the same model of care delivery, have the same program of services and/or serve a similar target population in a parallel community? What you are looking for is replicable solutions and avoidable mistakes in projects that mirror your own.
- **Learning Communities:** Is your health center part of a learning community? What lessons can be learned from how other health centers have adapted their space to accommodate case management, integrate behavioral health, and facilitate education? Consider hosting a conference call for members of a collaborative to specifically discuss space.

What are other health care providers doing?

- **Different Programming, Same Challenges:** There are some challenges shared by all health care organizations. For example, talk to area hospital infection control nurses to get insight into new materials that inhibit bacterial growth. Talk to long-term care facility managers to get insight into flooring that is easy to maintain while supporting a non-institutional environment.
- **Incorporation of Technology and Specialized Equipment:** Visit other healthcare facilities to see how they have integrated technology to maximize their communication and broaden their services. What could be done on a smaller scale to enhance the health center environment? What specialized equipment could be incorporated in the design to minimize the need for off-site referrals?

What are other industries doing?

Complete site visits to community facilities and keep your eyes open when traveling! Each of these industries has valuable lessons to teach for the creation of patient-centered, stress reducing, health promoting environments.

- **Hospitality:** Look particularly at the entry process, wayfinding and zoning.
- **Retail:** Look particularly at wayfinding, payment processes and the power of adjacencies and co-locations.
- **Education:** Look particularly at the use of technology, effective group rooms and inclusiveness in design.



Designing a New Facility? Learn From Others – But Make It Your Own (continued)

What is your community doing?

- **Ask the Question:** “Given the opportunity, what do our patients create?” Explore recreation centers, churches as well as locally-owned restaurants and stores. What colors, finishes and furnishings are used? Is there an emphasis on group interaction or individual contemplation? Are ages.sexes mixed or segregated?
- **Ask the Question:** “What are the trends in our community’s public buildings?” Your facility is a powerful communication tool. If you want to stand out as something new, different, even cutting edge and every public building in your community is made of red brick – brick is not your material of choice! However, if you want to show that you are part of the foundation of the community and you are here to stay, brick may be just the thing to communicate that message.

The facility you create will be a tool that you will use on a daily basis for many years. The time it takes to explore the possibilities before setting pen to paper is time well spent. As with any task, the right tool in the hands of a skilled craftsman makes all the difference in the results of your efforts on behalf of your community.

Facility Design Resources:

Capital Link has developed a variety of free, downloadable resources for health centers and Primary Care Associations about the capital development process, including planning effective and efficient facilities. Visit <http://www.caplink.org/resources>.

The Center for Health Design has developed a clinic design website, an invaluable resource for community health centers and safety-net clinics undertaking a facility design project. This site provides easy-to-adopt information on evidence-based design that can improve clinical outcomes. Capital Link is proud to support the Center for Health Design as a corporate affiliate. Visit <http://www.healthdesign.org/clinic-design>.

Health Center Highlights

Capital Link regularly highlights the variety of successful strategies health centers have used for funding/financing capital projects and achieving their expansion goals. We congratulate Chase Brexton Health Services in Maryland and Rocking Horse Community Health Center in Ohio for completing their financings. Descriptions of both health center projects are included on the pages 8 and 9.

For more case studies and project highlights, visit the Client Impact section of our website at: <http://www.caplink.org/client-impact/client-stories>.



Health Center Highlights (continued)

Chase Brexton Health Services (CBHS), located in Baltimore, MD completed financing in December 2012 for a \$35.5 million, 80,000 square foot relocation and expansion of its main clinic. The project is being undertaken to 1) respond to the growing demand of services for the medically underserved residents by improving access to comprehensive healthcare services; 2) co-locate and fully integrate all services; and 3) improve continuity of care.

The project will be funded from multiple sources, including state and federal grants totaling \$6.5 million and \$29 million in equity from other sources. Capital Link worked closely with CBHS management to determine project feasibility, developing financial forecasts and a business plan, and identifying the most advantageous financing structure. Capital Link then helped procure sources of project capital, including a New Markets Tax Credit transaction that provided \$3.5 million in equity.



CBHS purchased the Monumental Life Building, more recently occupied by Aegon, for its new facility.

CBHS has been an important fixture and health care provider in the Baltimore area for nearly 35 years, serving 25,000 patients out of three separate buildings. In 2011, Chase Brexton purchased the historical Monumental Life Building at 1101 North Charles Street, in the heart of Baltimore City as the site for its new Mt. Vernon Center. CBHS has spent the past year planning and designing a more efficient use of space that will improve access and help provide a patient-centered model of care. The new facility will enable CBHS to care for four times as many medical and behavioral health patients and twice as many dental patients. Chase Brexton celebrated a groundbreaking ceremony in October, 2012 and hopes to move into its new building in April 2013.

Rocking Horse Community Health Center (RHCHC), located in Springfield, OH completed financing in December 2012 for a new \$8 million, 42,000 square foot building that will house adult general medicine, obstetrics, women's health, specialty visits, behavioral health services and a dental clinic. The health center was awarded a \$6 million federal grant for the project and funded the balance with a New Markets Tax Credit transaction and several loans. Capital Link helped RHCHC develop a business plan, prepare financial forecasts, and structure the NMTC transaction.

Rocking Horse Community Health Center (RHCHC) opened in 1999 to provide comprehensive healthcare to 1,700 children, regardless of their insurance status or ability to pay for enhanced medical services. In response to community demand, RHCHC began to offer care to all ages.



Health Center Highlights (continued)

In March of 2009, RHCHC was awarded full status designation as a FQHC. The following year, the health center expanded its services to adult patients and will soon begin providing dental services. With four locations, Rocking Horse Community Health Center serves over 11,000 patients, both children and adults, with more than 50,000 visits. The new facility will provide space for an additional 39,000 patient visits and 29 full-time jobs.

The building will be under construction for the next 18 months. For updates on RHCHC's progress and construction photos, visit:
<http://www.rockinghorsecenter.org/about-us.html>



Winter Webinar Series

Capital Link conducts webinars designed to offer useful information for health centers in the midst of capital development. The webinars have no charge, but participation is limited to the first 100 registrants. Reserve your spot today! Contact Joe McKelvey at jmckelvey@caplink.org or at 202-331-4602 with any questions. Access our registration form via the link below:
<http://surveys.verticalresponse.com/a/show/614760/5d2a9020d0/0>

Sustainable Design: The Costs and Benefits of Incorporating Green Design Principles into Your Next Capital Project

Thursday, January 24th, 2-3 PM EST

Presenters: Joe McKelvey, Capital Link Project Consultant, Cindy Barr, Capital Link Operations and Facilities Planner, and Zara Marselian, CEO of La Maestra Community Health Center

Finding Free or Affordable Financing: Creative Ways to Finance Your Project

Wednesday, February 6th, 2-3 PM EST

Presenter: Terry Glasscock, Capital Link Senior Project Consultant

How New Markets Tax Credits Can Help Your Capital Project

Thursday, February 7th, 2-3 PM EST

Presenter: Dan Woodman, Capital Link Project Consultant

Much Better than Guessing: How to Successfully Project Future Patient Growth and Payer Mix in the midst of Health Reform

Wednesday, February 13th, 2-3 PM EST

Presenter: Dave Kleiber, Capital Link Project Consultant

For complete descriptions of the webinars, visit our website at www.caplink.org/resources/webinars.

Center for Health Design Workshops

CAPITALink

Community health professionals have been gathering at a series of four regional workshops hosted by the Center for Health Design. The goal of the workshops is to integrate health center design and the patient experience by giving participants the opportunity to explore evidence-based design (EBD) with respect to facility design and operations. Each seminar includes a keynote presentation, knowledge exchange sessions and a panel discussion where three experts and a local CEO will share their perspective. Capital Link's Cindy Barr, RN, EDAC, Operations and Facilities Planner, is a speaker at all four events.

The remaining workshops are scheduled as follows:

Wednesday, February 6th, 9 AM - 4:30 PM

Hyatt Regency, Houston, TX

Tuesday, March 5th, 9 AM - 4:30 PM

New York Academy of Medicine, New York, NY

Visit <http://www.healthdesign.org/chd/conferences-events> to register.

See You at the NACHC Policy & Issues Forum

Capital Link regularly presents information related to capital development to health centers and Primary Care Associations at industry conferences. We are presenting two sessions at this year's NACHC P&I Forum. Visit our website at

<http://www.caplink.org/newsevents/events> for details on additional presentations.

Date/Time	Place	Details
March 21, 2013 9:15-10:15AM, Virginia Room	National Association of Community Health Centers Policy & Issues Forum (P&I), Marriott Wardman Park Hotel, Washington DC	<i>The Future is Now: How ACA Implementation will Affect your Patient Volume and Payer Mix</i> Presented by Dave Kleiber, Project Consultant
March 22, 2013 1:30-3:00 PM, Virginia Room	National Association of Community Health Centers Policy & Issues Forum (P&I), Marriott Wardman Park Hotel, Washington DC	<i>"What Does That Mean?" What the President, Congress, and the Federal Reserve are Trying to do and how it will Affect your Capital Project</i> Presented by Joe McKelvey and Terry Glasscock , Project Consultants

About Capital Link:

Since 1998, Capital Link has provided planning and capital solutions for hundreds of health center building projects. A non-profit organization, we assist health centers and primary care associations in accessing capital for building and equipment projects, and we provide extensive technical assistance throughout the entire capital development process. For more information, visit www.caplink.org

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