

# CAPITALink

*A Quarterly E-Newsletter from Capital Link, Summer 2014 Issue*

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## Message from the CEO

*Allison Coleman, CEO*

In addition to longer days and warmer weather, each summer provides us with two opportunities to recognize and reflect on the successes of the health center movement. [National Health Center Week](#) is just around the corner, and [NACHC's annual Community Health Institute \(CHI\) & EXPO](#) will bring together 2,000 community health center managers, clinicians, employees, board members, and leaders. Capital Link is excited to participate in these important events.

This year's National Health Center Week theme, "America's Health Centers - Local Engines for Healthier Communities," recognizes that in addition to ensuring access to high quality, cost-effective, accessible care, health centers also serve as powerful drivers of the local economy. In this issue of **Capital Ink**, find the latest **National Economic Impact Analysis (EIA)** plus learn how health centers and PCAs have used this important tool. The results of our biennial **National Capital Needs Assessment** show that the dramatic increase in patient demand over the past several years has necessitated rapid growth in health center facilities. While this growth has a positive impact on the communities health centers serve, it also is increasingly challenging to meet capital needs.

The summer also brings [NACHC's annual CHI & EXPO](#) on August 22-26, 2014. This year's CHI focuses on the vast changes in the health care environment set in motion by ACA implementation in all areas of operations. Our presentation on the Massachusetts health reform experience outlined in the article ***Is the Massachusetts Health Reform Experience a Window on the Future?*** provides details on how the financial and operational trends of Massachusetts health centers following state health reform may prepare health centers across the country for national health reform. We hope to see you at our [presentations](#) or in the Exhibit Hall at booth TT10.

Warm Regards,  
Allison Coleman, CEO



# Federal Update

Below is a selection of recent health policy and regulatory news and information relevant to health centers and PCAs. For regular updates, subscribe to Capital Link's blog for email notifications at <http://capitallinksblog.blogspot.com/> or access the following links:

NACHC's Health Centers On the Hill and The Policy Shop blogs:  
<http://blogs.nachc.com/>

The Health Resources and Services Administration's About Health Centers tab:  
<http://bphc.hrsa.gov/about/index.html>

The newsroom at the U.S. Department of Health and Human Services:  
<http://www.hhs.gov/news/index.html>

## **HHS Announces Mental Health Funding for Health Centers**

On July 31, 2014, the U.S. Department of Health and Human Services (HHS) announced \$54.6 million in Affordable Care Act funding to support 221 health centers in 47 states and Puerto Rico to establish or expand behavioral health services for over 450,000 people nationwide. Health centers will use these new funds for efforts such as hiring new mental health professionals, adding mental health and substance use disorder health services, and employing integrated models of primary care. To learn more, please go to <http://www.hhs.gov/news/press/2014pres/07/20140731a.html>.

## **HHS Announces Funds to Better Integrate HIV Services into Health Centers**

On July 15, 2014, HHS announced the availability of \$11 million through the Affordable Care Act (ACA) and the Secretary's Minority AIDS Initiative Fund to support the integration of high-quality HIV services into primary care through innovative partnerships between health centers and state health departments in Florida, Massachusetts, Maryland and New York. Learn more by visiting <http://www.hhs.gov/news/press/2014pres/07/20140715a.html>.

## **HHS Announces Grant Funds to Expand Access to Primary Care through Community Health Centers**

On July 8, 2014, HHS announced the availability of \$100 million through the ACA to support an estimated 150 new health center sites across the country in 2015. New health center sites will increase access to comprehensive, affordable, high-quality primary health care services in the communities that need it most. To learn more about this funding opportunity, please visit <http://www.hhs.gov/news/press/2014pres/07/20140708a.html>.

## **Senate Appropriations Subcommittee Approves Funding Increase for Health Centers**

On June 10, 2014, the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies (LHHS) approved its Fiscal Year (FY) 2015 spending bill. The bill provides \$5.1 billion in total program funding for the Health Centers Program in FY2015, an increase of \$1.4 billion over FY2014 funding. Should the legislation become law, it will allow health centers to expand their capacity to deliver access to primary care to an estimated eleven million more patients. For more information, please access NACHC's blog here: <http://blogs.nachc.com/washington/senate-lhhs-subcommittee-approves-increase-in-funding-for-health-centers-in-fy2015/>.

## **New Markets Tax Credit Allocation Awards Announced**

On June 5, 2014, the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) announced \$3.5 billion in New Markets Tax Credit (NMTC) [allocation awards](#) aimed at revitalizing low-income communities and increasing economic opportunity nationwide. The Community

Development Entities (CDEs) that received awards are actively seeking projects to finance, including near-term health center expansions or renovations. Certain projects may also be eligible to receive grant funding to support technical assistance from Capital Link to enhance project readiness. If your health center needs additional funding for a project and is interested in investigating NMTC, please contact Mark Lurtz, Senior Director of Marketing and Project Consulting at [mlurtz@caplink.org](mailto:mlurtz@caplink.org) or 636-244-3082. For more information about the program and how it works, access our Spotlight on Capital Resources: New Markets Tax Credits publication at <http://www.caplink.org/resources/publications>.

### **CMS Finalizes New Medicare PPS for FQHCs**

On April 29, 2014, the Centers for Medicare & Medicaid Services (CMS) issued a final rule that could increase Medicare payments to Federally Qualified Health Centers (FQHC) by as much as 32 percent. As outlined in the ACA, FQHCs will transition to a Medicare prospective payment system (PPS) beginning on October 1, 2014. Learn more by visiting <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/FQHCPPS/Index.html>.

## **New and Noteworthy**

### **Despite Aggressive Growth, Health Centers Challenged to Meet Capital Needs**

Capital Link announces the release of [\*Capital Plans and Needs of Health Centers: A National Perspective\*](#), a biennial study conducted to determine the current capital plans of community health centers across the U.S. and whether those plans, if funded and implemented, would be sufficient to provide the facilities necessary to serve patient growth expected as a result of ACA implementation. This study was supported by a Cooperative Agreement with the Health Resources and Services Administration, Bureau of Primary Health Care.

The dramatic increase in patient demand over the past several years has necessitated rapid growth in health center facilities. Patients of health centers grew 50 percent between 2005 and 2012, and this trend will only continue in an era of health reform. Capital Link conducted this study to determine capital project plans, investment needs, sources of capital, projected funding gaps, and growth readiness to expand facilities to meet the projected market need. Data was requested from 1,200 health centers, resulting in a 33 percent response rate.

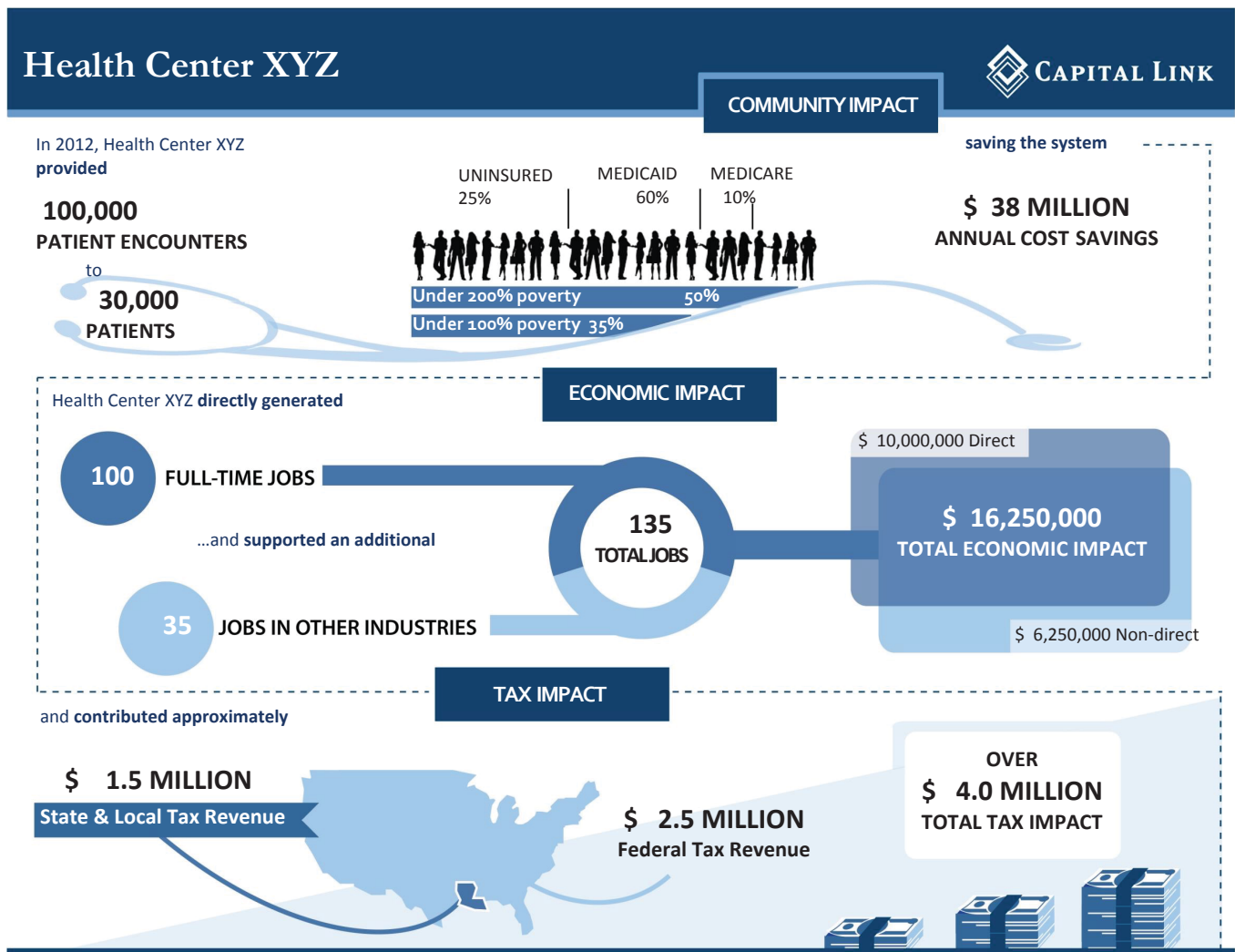
Three-fourths of the responding health centers indicated that they had specific plans to initiate capital projects within the next five years, which Capital Link estimates will total approximately \$5.1 billion for owned facilities and \$2.6 billion for leased space. This facilities investment should accommodate an additional 5.9 million patients for a total capacity of 30 million patients and 31,000 providers by 2018. With 32 million patients annually projected, however, a total capital investment of \$10.3 billion in physical infrastructure, including leased space of \$3.4 billion, will be needed. Funding for health center-owned projects has been identified and secured for only 37 percent of planned projects, leaving a \$3 billion gap to accommodate 30 million patients and at least \$4.8 billion to reach the 32 million patient goal.

For detailed results, access the complete report online at <http://www.caplink.org/resources/reports>

### **Why Health Centers and PCAs Should Measure Economic Impact**

Health centers are often a significant source of economic stability in a community. By expanding access to care, health centers also reduce costs, add jobs, and stimulate the local economy. This is an important story to share with community leaders and decision-makers, especially during National Health Center Week events.

An Economic Impact Analysis (EIA) is an innovative tool used to convey the dual role health centers have as both important service providers and as engines for economic development. Health centers and PCAs have used EIAs to educate policymakers, seek community support, and pursue funding opportunities. With the help of economic modeling software, EIAs communicate the impact a health center's current operations and future growth has on a community by illustrating annual cost savings to the system, tax revenues, economic impact, and job creation. The following is a sample EIA infographic.



Examples of how EIAs have been used in the past include:

- The **Louisiana Primary Care Association** does an annual economic impact analysis to track the effect of the operating expenditures of the state's FQHCs, resulting in successful funding for FQHC operations and care for the uninsured in the most recent legislative session. The LPCA also did an EIA for Medicaid Expansion and conducted a statewide economic impact analysis following its Community Health Center Facility Expansion Initiative (FEI). The FEI, a \$100 million statewide capital development program, significantly expanded and enhanced access to high quality, affordable primary care, as well as expanded the economic impact of health centers in the communities they serve. LPCA Executive Director Jonathan Chapman comments, "conducting regular economic impact analyses allows us to provide education and promote FQHCs as safety net providers and community assets."
- At a meeting with the Urban Land Institute to discuss the principles of building healthy spaces, **La Clinica de La Raza in Oakland, CA** presented an EIA in order to provide a context for how these principles align with state policy, and to examine how local innovation is setting the stage in the Bay Area and surrounding areas. Anita Addison, Chief of Planning & Strategic Advancement at La Clinica,

stressed the EIA's value in the presentation, noting that "this was the perfect type of engaged group of people who really appreciated this type of information."

- **La Red Health Center in Georgetown, DE** uses EIA data in its newsletters and annual reports. According to Kevin Loftus, Director of Development, Marketing and Communications, "We received very favorable feedback on just how valuable the data was in presenting the big picture regarding La Red Health Center's economic impact on the local community. From both a capital construction and an ongoing delivery of programs and services perspective, the economic impact data allowed La Red Health Center to demonstrate the positive impact we had and will continue to have in Sussex County, Delaware."
- The [impact analysis](#) for the **Association for Utah Community Health Centers** found that the 40 clinics across that state contributed \$141 million to the state's economy last year and provided 861 full-time jobs. Alan Pruhs, executive director for the Association for Utah Community Health Centers, said "We have these nonprofit, mission-driven health center organizations in the state and when you look at them collectively, there's a lot of economic benefit that they provide," as reported in a [Deseret News article on July 20, 2014](#).

Learn more about EIAs by visiting our website at <http://www.caplink.org/services/for-health-centers?id=55:performance-analysis-and-monitoring&catid=5:services> or by contacting Steve Rubman, Manager of Data Resources & Analysis, at [srubman@caplink.org](mailto:srubman@caplink.org).

### Is the Massachusetts Health Reform Experience a Window on the Future?

As we embark on national health reform, examining how Massachusetts health centers have fared following the implementation of state health reform in 2006 provides insight into the potential financial and operational challenges and opportunities that lie ahead.

Recently, Capital Link analyzed a variety of national health center financial and operational metrics from 2008-2011 to identify key industry trends. This data was then compared with data from Massachusetts health centers over the same period.

Highlights of this analysis include the following:

*Rapid growth and positive payer mix shift do not necessarily lead to financial strengthening. Why not?*

- The rate of uninsurance may decline more slowly than the grant funds that support care to the uninsured.
- Additional costs associated with growth and systems change are not fully anticipated or adequately reimbursed (e.g., facility costs and outreach/enrollment activities).
- Adoption of electronic health records (EHR) hurts productivity and negatively affects margins (almost always); EHR implementation occurring simultaneously with rapid growth is a double-whammy and difficult to manage well.

*In a fee-for-service environment, small misalignments between growth in revenues and growth in visits can rapidly erode operating margins and deplete cash reserves.*

- The likelihood of misalignments in an environment of payment reform is very high.
- Health centers' margin for error is very low.
- A focus on maintaining/improving adequate rates and subsidies to support care to uninsured and patients with complex needs will be critical to health centers' financial survival.

*The strong are getting stronger.*

- The top half of health centers nationally are in a better position financially going into health reform than was the case for Massachusetts centers—and they, in turn, may fare better.



*The weak are likely to get weaker.*

- Given that the bottom 50 percent of health centers nationally look financially similar to their Massachusetts counterparts just prior to health reform in Massachusetts, it's possible that we will see a similar pattern of financial weakening with declining operating margins and cash.

These findings will be presented in more detail at our educational session at [NACHC's CHI & EXPO](#):

*The Massachusetts Health Reform Experience: What Financial and Operational Trends Should Health Centers Expect?*

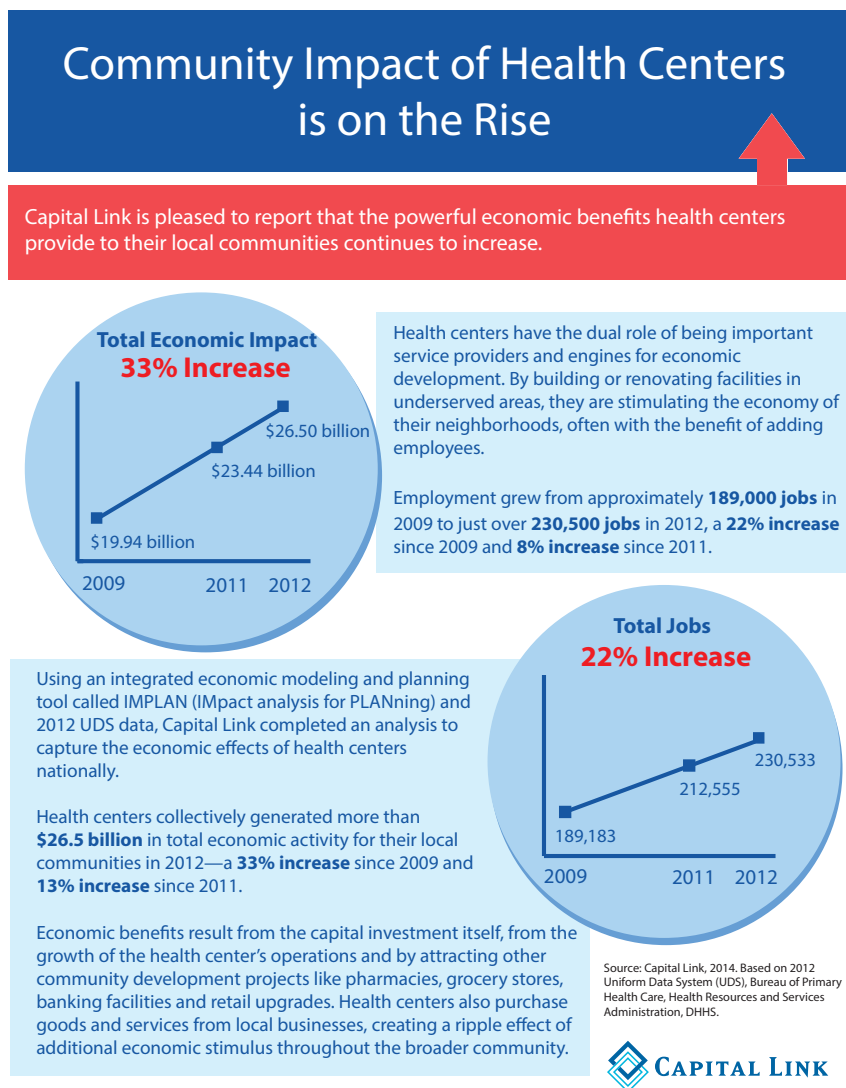
Tuesday, August 26, 2014

8:30 a.m. - 10 a.m. Harbor A

Speakers: Allison Coleman, CEO, and Dave Kleiber, Project Consultant, Capital Link

## The Community Impact of Health Centers Nationally Continues to Rise

Using an integrated economic modeling and planning tool called IMPLAN (Impact analysis for PLANning) and the latest available UDS data (2012), Capital Link updated our analysis capturing the economic effects of health centers nationally. Health centers collectively generated more than \$26.5 billion in total economic activity for their local communities in 2012—a 33% increase since 2009 and a 13% increase since 2011. Employment grew from approximately 189,000 jobs in 2009 to just over 230,500 jobs in 2012, a 22% increase since 2009 and an 8% increase since 2011. Download our new infographic at [www.caplink.org/resources/reports](http://www.caplink.org/resources/reports).



# Resources

## Strategic Growth Readiness Assessment

With the provisions of the ACA and the demographic pressures of an aging population, health centers are experiencing an increase in demand for their services. In response to this trend, Capital Link had developed the **Strategic Growth Readiness Assessment**—an assessment of readiness, capability, and capacity for growth including addressing readiness for facilities expansion. Sponsored by HRSA through a cooperative agreement with Capital Link, this service is now available to health centers without charge and provides a detailed analysis of:

- Current financial and operational capacity
- Capital structure and debt service capability
- Statistical overview of the local market
- Examination of external influences
- Suggested self-evaluation of staffing structure and leadership
- Tangible suggested “next steps” for success in project plans

To learn more about Capital Link’s **Strategic Growth Readiness Assessment**, please contact Mark Lurtz, Senior Director of Marketing and Project Consulting at [mlurtz@caplink.org](mailto:mlurtz@caplink.org) or 636-244-3082.

## Community Health Center Financial Perspectives, Issues 3 and 4

*Community Health Center Financial Perspectives* is a series of publications sponsored by the Citi Foundation and prepared by Capital Link, in collaboration with Community Health Center Capital Fund, Capital Link’s lending affiliate. The goal is to illuminate the financial and operational trends of the industry in order to increase the breadth and depth of information available on health centers.

The recently released **Issue 3** in the publication series, ***Impact of Capital Projects on Health Centers: Growth, Financial Trends, and Operational Transformation*** (and a companion **Issue 4**, written for lenders) examines the impact capital projects have on health centers’ financial health and operational performance. This report answers the questions Capital Link most frequently receives about capital projects, including: How fast do health centers grow after a capital project? What are the potential pitfalls? How large should cash reserves be to mitigate possible losses as a new facility ramps up? How fast do health centers add staff and how does that affect the bottom line? How much debt do health centers support when they take on a capital project? How much equity do they usually raise? The report also addresses the issue of project size, and how this factor can affect health center finances and operations differently. The full report and an infographic illustrating key findings are available on our website at <http://www.caplink.org/resources/reports>.

Other reports in this series include:

### ***Community Health Center Financial Perspectives, Issues 1 and 2: Financial and Operational Ratios and Trends of Community Health Centers, 2008-2011***

The first topic in the publication series provides multi-year insight on national health center financial and operational performance metrics and trends. Full reports and an infographic are available on our website at <http://www.caplink.org/resources/reports>.

## **Coming Soon! *Community Health Center Financial Perspectives, Issues 5 and 6: The Potential Risks of Health Center Lending: Key Factors That May Contribute to Default***

Based on a financial and operational performance analysis of 29 health centers, these reports take a data-informed approach to understanding the factors that may contribute to default and demise in the health center sector. Both Issues examine the nuances of the health center business model and identify factors that may contribute to financial stress and the potential inability to repay third party loans.

### **Adding Fund Development Capacity**

This guide is designed to help health centers organize a fund development strategy and identify the right personnel to help improve fundraising efforts. It reviews the current fundraising environment for health centers, clarifies when to bring in fund development expertise, outlines the responsibilities of a development director and fundraising consultant, and discusses how organizing a capital campaign for facilities expansion differs from raising funds for operations. This resource was supported by the Health Resources and Services Administration. Access this publication at: [www.caplink.org/resources/publications](http://www.caplink.org/resources/publications).

## **Health Center Project Highlights**

Capital Link regularly profiles health centers that have successfully completed their expansion plans. These health center stories are available on our website: <http://www.caplink.org/client-impact/client-stories>. The latest addition is **Cassopolis Family Clinic Network (CFCN), MI**:

**Cassopolis Family Clinic Network (CFCN), MI** completed financing for a new 30,000 square foot medical facility to replace its existing flagship clinic, expanding its capacity by over 20,000 square feet. CFCN is financing the estimated \$6.5 million project utilizing a United States Department of Agriculture direct loan, a Capital Development-Building Capacity Grant from the Health Resources and Services Administration, and capital campaign proceeds raised from the local community. Upon completion in fall 2014, the two-story structure will house 24 medical exam rooms, two procedure rooms, a seven chair dental wing, a full-service pharmacy featuring a drive-up window, and 3,500 square feet of unfinished space to accommodate a potential expansion in the future.

We also want to congratulate **Ingham Community Health Centers, Lansing, MI**, which is featured on The Center for Health Design's (CHD's) website as a best practice example for the expansion of their Birch Health Center facility. CHD's clinic examples serve as a resource for health centers looking for answers to specific expansion challenges or just plain inspiration. To view Ingham's case study, please visit: [http://www.healthdesign.org/clinic-design/clinic-examples/ingham\\_community\\_health\\_centers\\_birch\\_health\\_center](http://www.healthdesign.org/clinic-design/clinic-examples/ingham_community_health_centers_birch_health_center).



# Upcoming Events

Below are a few of our next scheduled events. For the most up-to-date information, please visit our website at: <http://www.caplink.org/newsevents/events>.

## Industry Presentations

### **NACHC 2014 Community Health Institute (CHI) & EXPO**

August 22-26, 2014 in San Diego, CA

Booth TT10

*Hiring, Growing, and Retaining a Strong Primary Care Workforce: Integrated Primary Care Teams at the Heart of Transformation*

Monday, August 25, 2014

8 a.m. - 9:30 a.m. Coronado D

Speaker: Cindy Barr, RN, EDAC, Operations & Facilities Planner, Capital Link

*The Massachusetts Health Reform Experience: What Financial and Operational Trends Should Health Centers Expect?*

Tuesday, August 26, 2014

8:30 a.m. – 10 a.m. Harbor A

Speakers: Allison Coleman, CEO, and Dave Kleiber, Project Consultant, Capital Link

### **Pennsylvania Association of Community Health Centers (PACHC) Annual Conference, Clinical Summit, & Trade Show**

October 7-9, 2014 in Lancaster, PA

*High Performance Community Healthcare*

Date/Time: TBD

Speaker: Terry Glasscock, Senior Project Consultant, Capital Link

### **California Primary Care Association (CPCA) Annual Conference**

October 9-10, 2014 in Sacramento, CA

*Financial and Revenue Benchmarking*

Date/Time: TBD

Speaker: Tony Skapinsky, Project Consultant, Capital Link

### **Community Health Association of Mountain/Plains States (CHAMPS) and Northwest Regional Primary Care Association (NWRPCA) Fall Primary Care Conference**

October 19-22, 2014 in Denver, CO

*Health and Housing – A More Comprehensive Approach to Serving Patients*

Date/Time: TBD

Speaker: Dave Kleiber, Project Consultant, Capital Link

## Conference Exhibitor

### Ohio Association of Community Health Centers (OACHC) Fall Conference

*September 16-17, 2014 in Dublin, OH*

### Kansas Association for the Medically Underserved (KAMU) Annual Conference

*September 24-26, 2014 in Wichita, KS*

## Webinars

Capital Link's next series of seasonal webinars will begin in the fall. Recordings of past webinars are available here on our website at <http://www.caplink.org/newsevents/upcoming-webinars>.

## About Capital Link

Capital Link is a non-profit organization that has worked with hundreds of health centers and primary care associations for over 15 years to plan capital projects, finance growth, and identify ways to improve performance. We provide innovative consulting services and extensive technical assistance with the goal of supporting and expanding community-based health care. For more information, visit us at [www.caplink.org](http://www.caplink.org) or connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).