

CAPITALink

A Quarterly Resource Bulletin from Capital Link, Summer 2015 Issue

Message from the CEO

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There is much to celebrate this summer with the 50th anniversary of America's health centers and the 50th anniversaries of Medicare and Medicaid. Health centers have proven to be invaluable to the health and well-being of US communities, as is illustrated in our new **National Economic Impact infographic** (see page 3).

The summer also brings NACHC's annual CHI & EXPO on August 23-25, 2015. Our presentation on the **Building a Future Using NACHC and Capital Link's New Strategic Planning Toolkit for FQHCs (CML3)** provides health centers with the action steps necessary to create and maintain a useful strategic plan. Read more about this valuable tool in this issue (page 6). We hope to see you at all of our CHI presentations and in the Exhibit Hall at booth #308.

We've also recently released an update to our **Spotlight on Capital Resources: New Markets Tax Credit Program** publication, which coincides with approval of this program's latest round of allocation awards. We hope this resource is helpful for health centers seeking new sources of capital to fuel growth.

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/>

>> Don't miss this recent post on FY15 health center funding:

<http://blogs.nachc.com/washington/a-rundown-of-where-we-stand-on-fy15-health-center-funding/>

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>

New Markets Tax Credit Program News

NMTC Extension and Increase Approved by the Senate

On July 21, 2015, the Senate Finance Committee approved a tax extenders package that included a two-year extension of the New Markets Tax Credit Program (NMTC). For the first time in several years, the Committee voted to increase the NMTC allocation level, raising it from \$3.5 billion to \$3.94 billion. The House is expected to take up a similar bill. Learn more here:

<http://nmtccoalition.org/2015/07/21/bipartisan-support-for-federal-new-markets-tax-credit-grows/>

NMTC Awards Announced – Health Centers with Capital Projects Should Act Now!

On June 15, 2015, the U.S. Department of the Treasury's Community Development Financial Institutions Fund announced the 2014 New Markets Tax Credit (NMTC) allocation awards. Among other successful Community Development Entities (CDEs), Capital Link's affiliate Community Health Center Capital Fund was awarded a \$25 million NMTC allocation. Read more on our [blog](#) and in the article ***Leveraging Federal Grants*** under Resources.

Supreme Court Upholds Health-Law Subsidies

On June 25, 2015, the U.S. Supreme Court ruled that the Obama administration can continue to subsidize the health-insurance purchases of lower-income Americans as part of the Affordable Care Act. Read more:

<http://blogs.nachc.com/washington/victory-for-the-aca-moving-forward-after-king-v-burwell/>

The Evolution of Medicare and Medicaid over 50 Years

As Medicaid and Medicare reach their 50th anniversaries, lawmakers and researchers have tracked the evolution of these programs. Several recent resources are listed below:

- July 2015 issue of the journal *Health Affairs* contains three articles related to health centers and Medicaid. <http://content.healthaffairs.org/content/34/7.toc>
- Kaiser Family Foundation has a comprehensive webpage dedicated to Medicaid/Medicare. <http://kff.org/medicaremedicaid50/>
- NACHC describes hearings marking the 50th anniversary of Medicaid: <http://blogs.nachc.com/washington/medicaids-50th-anniversary-gains-attention-on-the-hill/>
- The Commonwealth Fund's blog features a series of posts on the Medicaid program's evolution and future: <http://www.commonwealthfund.org/publications/blog/2015/jul/medicaid-as-health-insurer>

HHS Announces Funding for New Access Points

On May 5, 2015, HHS Secretary Burwell announced \$101 million in funding for new access points. The funding, which will go to 164 health centers in 33 states, is expected to increase access for over 650,000 patients. Read the HHS press release and access the list of awardees here: <http://www.hhs.gov/news/press/2015pres/05/20150505a.html>. Congratulations to all new access points! Resources are available to you on our website at www.caplink.org/resources and please feel free to contact Mark Lurtz, Senior Director of Marketing and Project Consulting at mlurtz@caplink.org or 636-244-3082 with any capital-related questions you may have.

New and Noteworthy

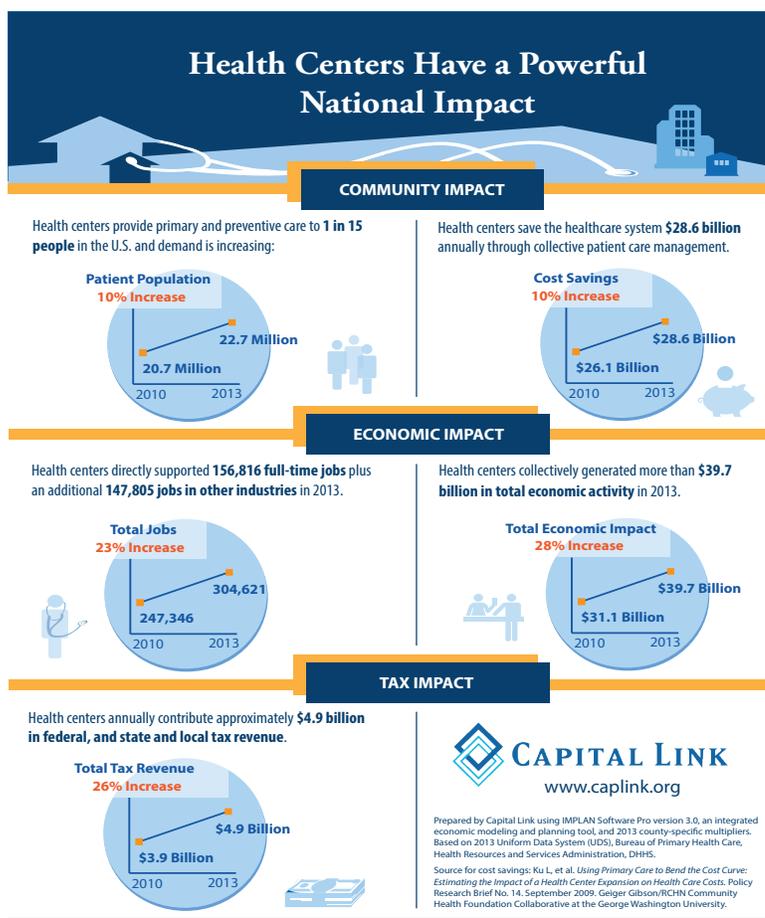
Capital Link Awarded USDA Grant to Assist Rurally-located Health Centers

Capital Link has been awarded a \$75,000 grant through the USDA Rural Development's Rural Community Development Initiative (RCDI) program. Funds will be used to provide technical assistance and training in collaboration with regional Primary Care Associations/consortia to support a number of rurally-located health centers in high-need states. Capital Link is one of 31 community-based organizations across the U.S. selected for the RCDI grants, which will help small rural communities create jobs and boost economic development. Access the press release here: http://www.usda.gov/wps/portal/usda/usdahome?contentid=2015/04/0096.xml&navid=NEWS_RELEASE&navtype=RT&parentnav=LATEST_RELEASES&deployment_action=retrievecontent

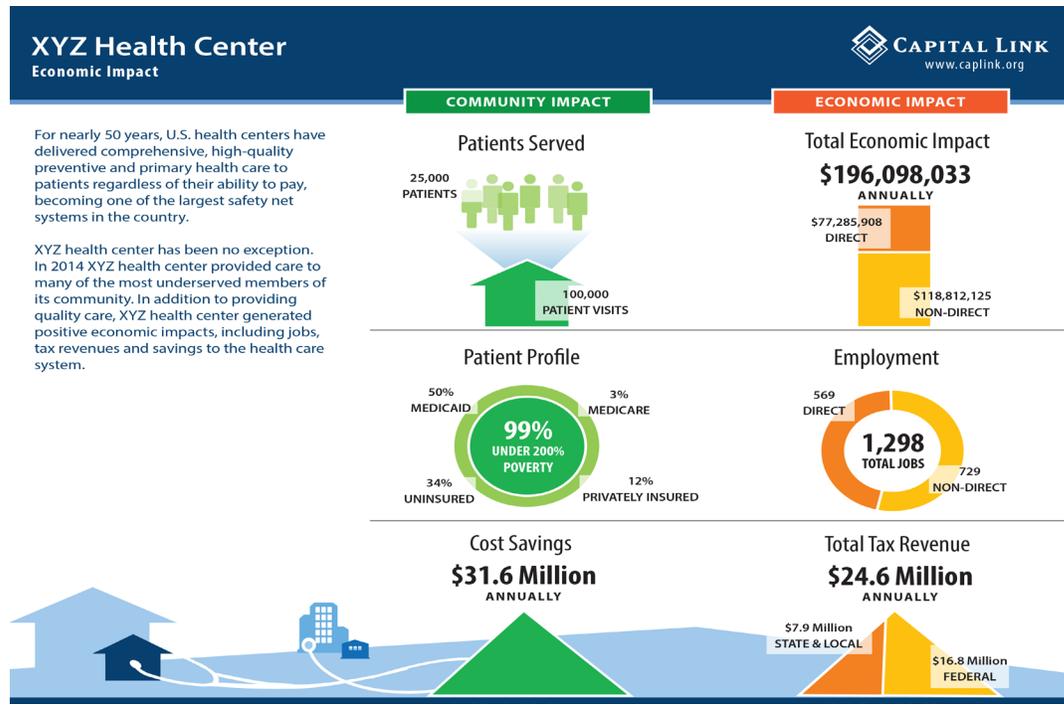
Highlighting the Substantial Community Impact of Health Centers

By expanding access to care, health centers reduce costs, add jobs, and stimulate the local economy. As our newly updated **National Economic Impact Analysis** infographic illustrates, health centers collectively generated more than \$39.7 billion in total economic activity for their local communities in 2013 — a 28% increase over 2010. Health centers also directly supported over 156,000 full-time jobs — plus an additional 147,000 jobs in other industries — a 23% increase since 2010.

Capital Link offers several types of customized **Economic Impact Analyses** to demonstrate the significant role health centers play as both service providers and as engines for economic development. These reports and infographics measure the effect a health center's current operations has on



the communities it serves, including job creation, tax impact, and cost savings. They highlight the impact and value of a wide range of functions, including operations, capital projects, behavioral health programs, and residency programs. They can also estimate the impact of a cut to health center funding — and as such can be a useful tool for helping policy makers see what’s at stake for your community if state or federal funding is eliminated. Here is a sample of our **Individual Health Center Economic Impact Analysis** infographic:



Health centers and PCAs have used our **Economic Impact Analyses** to educate policymakers, seek community support, and pursue funding opportunities. For example, the Massachusetts League of Community Health Centers recently shared findings from a Statewide EIA customized for Massachusetts at an annual State House event to illustrate how the Commonwealth’s 49 health centers generate annual savings of more than \$1 billion. The analysis really made an impact on attendees, policy makers, and the local media. Read more here: <http://www.massleague.org/Articles/2015-08-04StateHouseDay.php>. For more information, please contact Steve Rubman at srubman@caplink.org or visit our website at <http://www.caplink.org/services/?id=75:economic-impact-analysis&catid=5:services>.

Leveraging Federal Grants

HRSA recently announced that Health Infrastructure Investment Program (HIIP) capital grants will be awarded this fall. While this is great news for health centers, the grants will be limited to a maximum of \$1,000,000, which is substantially lower than previous rounds of HRSA capital grants. As a result, many health centers will need to leverage these awards with other sources of capital.

The U.S. Department of the Treasury’s Community Development Financial Institutions Fund offers a unique and extremely beneficial financing source for health center capital projects with the New Markets Tax Credit Program (NMTC). The NMTC is designed to stimulate private investment in low-income communities, the boundaries of which frequently overlap with the service areas of Federally Qualified Health Centers (FQHCs). The attraction of using a NMTC structure is that health centers can receive low-cost, interest-

only loans to fund a project during the seven year tax credit period, provided by an investor or Community Development Entity (CDE), and some of the investment can become health center equity at the end of year seven. So in effect, the NMTC portion of the investment may not need to be repaid.

While the benefits of a NMTC structure are clear, it can be extremely complex and intimidating for health center boards and staff. Capital Link has resources to help — and now is the time to act! The latest round of New Markets Tax Credit (NMTC) allocation awards has been announced and the 76 CDEs that received these awards, including Capital Link's affiliate Community Health Center Capital Fund, are actively seeking projects to finance, including near-term health center expansions and renovations. The window to obtain allocation from this round of credits is rapidly closing. However, most CDEs are gearing up to apply for an additional allocation of credits for next year's award cycle, if approved by Congress. The best time to make your project known to CDEs is before they apply, so that you are first in line for credits when they are awarded.

To date, Capital Link has assisted 43 health centers in obtaining over \$552 million in financing for projects totaling over \$669 million using NMTCs. To find out how Capital Link can help your health center capitalize on this financing option, please contact Mark Lurtz, Senior Director of Marketing and Project Consulting at mlurtz@caplink.org or 636-244-3082.

To learn more about the NMTC program and how it works, read our recently released ***Spotlight on Capital Resources: New Markets Tax Credit Program Update*** under Resources.

Healthy Futures Fund Impact

In 2013, the Local Initiatives Support Corporation (LISC), the Kresge Foundation, and Morgan Stanley established the Healthy Futures Fund in order to improve the health of residents in low-income communities. HFF is a \$100 million Fund comprised of New Markets Tax Credit-driven financing, Low Income Housing Tax Credit equity, and grants to support collaboration between the health and community development sectors. Capital Link has participated in this program as a supporting partner.

HFF is now fully committed, having closed its final investment in June 2015. HFF invested in nine health center projects which benefited low-income communities throughout the country. You can find several examples here: http://www.healthyfuturesfund.org/section/development_resources/aboutfqhcs.

Among the many positive impacts, HFF provided:

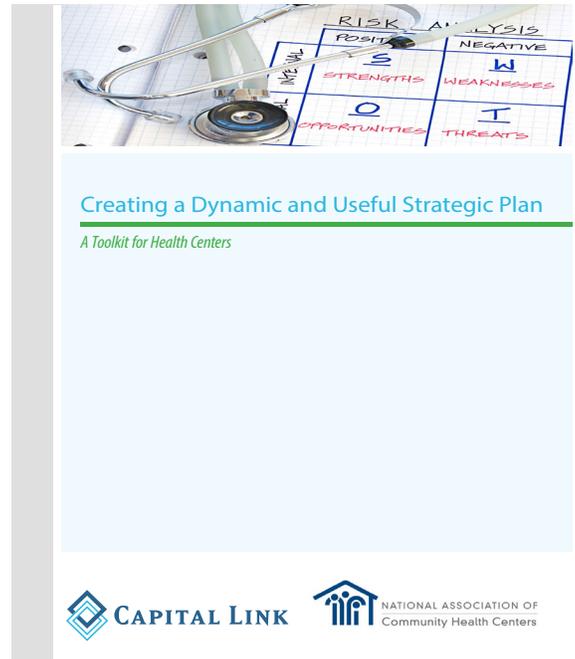
- Primary care capacity to serve 40,000 individuals by investing in health center expansions and affordable housing enhanced with primary care access;
- Community-based prevention services and education to an estimated 5,500 more individuals;
- Predevelopment grants to eight projects to create additional primary care capacity to serve an estimated 80,000+ individuals;
- Creation of 418 units of affordable housing enhanced with primary care access; and
- FQHC savings of \$6 million in loan interest costs and \$450,000 in NMTC transaction costs compared to a traditional NMTC financing structure.

Plans to launch HFF 2.0, the new and evolved \$100 million second phase of the HFF, are in progress. Stay tuned for more details.

Resources

Strategic Planning Toolkit for Health Centers

Creating a Dynamic and Useful Strategic Plan, an interactive resource developed by Capital Link and the National Association of Community Health Centers (NACHC), provides health centers with a toolkit to create and maintain a useful strategic plan. Organized into five sections, it begins with tools for health centers to examine and reaffirm their mission and purpose and then provides a pathway to generate well-informed expectations, measurable organizational objectives, and definitive steps to attain goals. Finally, it offers tools to distill this information into the critical actions health centers need to manage strategically and achieve sustainability. This toolkit was supported by the Health Resources and Services Administration (HRSA). Access this resource at www.caplink.org/resources/publications and MyNACHC.



Spotlight on Capital Resources: New Markets Tax Credit Update

Serving as a follow up to our **initial NMTC Program resource** published in 2012, this publication provides new information including:

- Why health centers should consider an NMTC transaction
- How to qualify for the NMTC Program even if your project is located in a seemingly non-eligible census tract
- How to “wind-up,” or realize the equity of, a NMTC transaction as it nears the end of the seven-year tax credit period

Access this resource at www.caplink.org/resources/publications.

Coming Soon

- **Capital Plans and Needs of Health Centers: A National Perspective** (Report)
- **Health Center Strong: Hallmarks of Financial, Operational and Clinical “High Performance” at America’s Community Health Centers** (Report)
- **Creating a Culture that Sustains a Patient-Centered Medical Home** (Publication)

Spotlight on Capital Resources: New Markets Tax Credit Program Update

In 2012, Capital Link published *Spotlight on Capital Resources: New Markets Tax Credit Program*, which described the basic program details and provided an example of how such a transaction could be used to finance a community health center capital project. This updated version provides you with new information on the following topics:

Targeted Populations Regulations—Since the New Markets Tax Credit (NMTC) program’s inception in 2000, many health centers have utilized this powerful but complex financing tool to their advantage. This is due, in part, to the fact that the census tract-based qualifying criteria for NMTCs often compare favorably to the service areas established by the Health Resources and Services Administration (HRSA) for federally qualified health centers (FQHCs or health centers). As the FQHC industry grows and matures, health centers increasingly want to establish facilities in census tracts that do not meet the NMTC “high-distress” criteria under the standard rules even though there is a large population of uninsured and low-income patients in residence. This update will discuss how FQHCs may still be able to qualify for the NMTC program using the “Targeted Populations” rules.

Winding Up a NMTC Transaction—With many NMTC projects nearing the end of the seven-year tax credit period, FQHCs must take action in order to realize the equity benefits of the transaction on their balance sheets — this is referred to as “winding up.” This document discusses the mechanics of how this can be accomplished.

NMTC Program Summary

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 Institution (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), which are organizations focused on providing financing in economically-distressed 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 into businesses located in targeted census tracts to spur economic growth. Because the service areas of many FQHCs overlap these specific census tracts, health centers can often qualify to utilize NMTC investments as part of their capital financing.

Why would a Health Center Want to Use a NMTC?

Most NMTC transactions are structured so that all or a portion of the original investment amount can become equity for the health center after a period of seven years. NMTC transactions typically structure the investments as below-market, interest-only loans during the seven-year tax credit period, so in effect, a portion of the loan does not need to be repaid. A health center project that qualifies for NMTC can often secure approximately 20-22% of total project costs through this type of financing, thereby reducing the amount of additional fundraising or borrowing. In some cases, the NMTC investment represents the 20% minimum equity frequently required by lenders to participate in a commercial real estate transaction.

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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 here: <http://www.caplink.org/client-impact/client-stories>. The latest **Presbyterian Medical Services, NM.**

We would like to congratulate **Providence Community Health Centers** on the completion of the Prairie Avenue Medical Campus. The new campus is a \$45 million transformation of a dilapidated mill complex into a new medical and health service campus that supports 200 staff and the community, encouraging a green and smart environment. The campus encompasses an entire city block and was developed over an eleven-year, four phase period. The completed development includes a 41,750 square foot, LEED Silver Certified, primary care health center; a 50,000 square foot medical office building which is listed on the National Register of Historic Places, and was renovated and restored in compliance with National Park Service guidelines; and a 4,800 square foot retail building which is leased to a pharmacy.

Upcoming Events

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

Industry Presentations

NACHC 2015 Community Health Institute & Expo

Orlando, FL

August 23-25, 2015

Booth #308

Building a Future Using NACHC and Capital Link's New Strategic Planning Toolkit for FQHCs (CML3)

Monday, August 24th, 1-2:30 PM, Orlando M

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

Behavioral Health Integration: A Sustainable Model of Care (CTuH1)

Tuesday, August 25th, 8:30 AM - 10:00 AM, Plaza J

Panel Member/Presenter: Cindy Barr, Operations & Facilities Planner, Capital Link

California Primary Care Association Annual Conference

Sacramento, CA

October 15-16, 2015

Using Data for Strategic Decision-Making and Meeting Triple Aim Goals

Friday, October 16, 8:30 am – 10:00 am

Presenters: Allison Coleman, MBA, Chief Executive Officer, Capital Link; Jason Cunningham, DO, Medical Director, West County Health Centers, Inc.; David B. Vliet, MBA, Chief Executive Officer, Tiburcio Vasquez Health Center; Grace Wang, PhD, MPH, American Institutes for Research

Business Solutions for Improving your CCHC's Financial Wellness

Friday, October 16, 10:30 am - 12:00 pm

Presenters: Susan Petrie, Senior Director of Finance, Operations and Data, Capital Link; Raymond Jorgensen, CEO/President & Co-Founder, PMG, Inc.; and David Thorpe, Director, Expense Reduction Analysts

Does your CCHC have a healthy state of well-being today while preparing financially for tomorrow? For CCHCs exploring potential solutions, this session will present an overview of the current financial landscape at California CCHCs and highlight two business approaches for improving a CCHC's financial health status.

Community Health Association of Mountain/Plains States (CHAMPS), Northwest Regional Primary Care Association (NWRPCA), & Western Clinicians Network 2015 Fall Primary Care Conference

October 17-20, 2015 in Seattle, WA

Integrating the Social Determinants of Health in Strategic and Capital Planning

Date/Time: TBD

Speaker/Moderator: Rebecca Polan, Project Consultant, Capital Link

NACHC 2015 Financial, Operations Management/IT Conference (FOM/IT)

Optimizing Performance in the Era of Health Reform Through Financial Benchmarking and Operational Improvements

Date/Time TBD

Presenters: Tony Skapinsky, Project Consultant, Capital Link; and Cindy Barr, Operations & Facilities Planner, Capital Link

Webinars

Capital Link's upcoming webinars, offered at no charge for health centers and PCAs, are posted at www.caplink.org/newsevents/upcoming-webinars on our website, including links to register. Also, you can find recordings of our past webinars at www.caplink.org/resources/webinars.

It's Free! HRSA Supported Tools for Health Centers and PCAs/HCCN

Tuesday, August 4th, 2-3 p.m. EDT

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

An Introduction to "Creating a Dynamic and Useful Strategic Plan," a New Toolkit for Health Centers

Wednesday, September 23rd, 2-3 p.m. EDT

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

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 or connect with us on Facebook, LinkedIn, or Twitter.