

# CAPITALink

A Quarterly Resource Bulletin from Capital Link, Winter 2015 Issue

## Message from the CEO

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As the New Year begins, the health center community celebrates the opportunity for continued growth in 2015. On the heels of the recently announced FY 2015 spending bill, which calls for funding allocations for health center construction and capital improvements, this issue of Capital Ink provides the resources and information health centers need to prepare for the grant opportunities that lie ahead.

The article ***Capital Development Grants Are Coming Soon...Are You Ready?*** offers an important list of “do’s and don’ts” to assist you as you prepare for upcoming grant submissions. In ***Capital Project Planning Assistance***, you’ll learn about the invaluable tools and services that can guide you through each step of the capital planning process.

As usual, this issue also features a Federal Update, Health Center Highlights, and a list of upcoming presentations and webinars. We hope the information within helps position you for a successful 2015.

Warm Regards,  
Allison Coleman, CEO

### 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.



# 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>

## New Markets Tax Credit Allocation Awards Expected in Spring 2015

The U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) is expected to announce allocation awards for \$3.5 billion in **New Markets Tax Credits (NMTC)** aimed towards revitalizing low-income communities and increasing economic opportunity nationwide. Two-hundred and sixty-three Community Development Entities (CDEs) applied to receive these awards, and once the announcement is made, the awardees will be actively seeking near-term health center expansions or renovations projects to finance beginning in Summer/Fall 2015. Learn more about this opportunity in the NMTC article under **New & Noteworthy**.

## FY15 Calls for \$5.1 Billion Investment in Health Centers

The spending bill released in early December 2014 will make available a total of \$5.1 billion in program funding for the Health Centers program in FY2015. The funding represents a combination of discretionary funds and the final allocation of the five-year mandatory Community Health Centers Fund, which provides dedicated investment both in capital and in ongoing operational capacity at health centers. Read more here: <http://www.nachc.org/pressrelease-detail.cfm?pressreleaseID=970>

## Recent Health and Human Services (HHS) Funding Announcements

### HHS Announces Community Economic Development Funding Opportunity

On January 15, 2015, HHS released a grant opportunity for Community Economic Development projects with the Administration for Children and Families (ACF) and the Office of Community Services (OCS). Up to \$17.7 million in Community Economic Development (CED) discretionary grant funds will be awarded to Community Development Corporations (CDC) for well-planned, financially viable, and innovative projects to enhance job creation and business development for low-income individuals. For prior OCS grant cycles, Capital Link has assisted with health centers in meeting eligibility requirements as a CDC and in preparing applications. Applications are due April 24, 2015. Access the announcement [here](#).

### HHS Awards Over \$665 Million to State-led Efforts to Improve Quality and Lower Costs

On December 16, 2014, HHS announced that 28 states, three territories, and the District of Columbia will receive more than \$665 million in Affordable Care Act (ACA) funding to design and test comprehensive state-based innovation in health system transformation aimed at finding new ways to

improve quality, accessibility, and affordability. Learn more by visiting:  
<http://www.hhs.gov/news/press/2014pres/12/20141216a.html>

### **HHS Awards \$36.3 Million in ACA Funding for Quality Improvement in Health Centers**

December 9, 2014 - HHS Secretary Sylvia M. Burwell announced \$36.3 million in Affordable Care Act funding to 1,113 health centers across the US to recognize and invest in health center quality improvement achievements activities. Read more here:

<http://www.hhs.gov/news/press/2014pres/12/20141209b.html>

### **HRSA to Fund Existing Teaching Health Centers into the Next Academic Year**

HRSA announced that it will support existing teaching health centers into the 2015-16 academic year through funding available next July. As part of the broader effort address the Primary Care Cliff, NACHC has been advocating for extending funding for Teaching Health Centers and recently organized a letter signed by more than 100 national organizations calling on Congress to address the issue in the lame duck session. Read more here: <http://bhpr.hrsa.gov/grants/teachinghealthcenters/>

## New and Noteworthy

### **Help Us Report on the Capital Needs of Health Centers!**

For the past six years, Capital Link has conducted a biennial study, with support from HRSA, to determine the extent of existing and future health center capital funding requirements. By providing an estimate of the additional capital investment required for health centers to meet growth targets, this **national capital needs assessment** helps focus attention on the evolving needs of health centers as they work to raise the capital needed to support high-quality patient care.

Why should you take the time to participate in this year's assessment? You will help:

- quantify the capital needs of health centers nationally in order to inform public sector stakeholders;
- encourage private sector foundations and lenders to develop new funding sources to help health centers meet their needs;
- identify new or emerging needs, beyond "brick and mortar" capital — such as working capital to support rapid growth or acquisition of private practices;
- identify areas for additional technical assistance to help your health center reach development goals; and
- position your health center to receive information on emerging funding sources targeted to your specific needs.

The participation of all US health centers is critical. On January 15th, an email with a link to the 2015 online assessment was sent to health center CEOs and executive directors. If your health center did not receive this email, you can access the assessment through this link: <http://survey.clicktools.com/go?iv=155xphy7uu58k> Responses are due February 15, 2015. As an added incentive, if you submit the questionnaire by **January 31**, you will be entered in a drawing to **win an iPad mini**. Your assistance in this important effort is greatly appreciated.

## Capital Development Grants Are Coming Soon...Are You Ready?

With the recent spending bill funding announcement (<http://www.nachc.org/pressrelease-detail.cfm?pressreleaseID=970>), now is the time to begin preparing for your capital development grant application and planning your capital project.

While HRSA has not yet announced details regarding a specific capital grant application cycle at this time, years of experience with capital grant competitions has helped us better understand what helps and hurts health centers when applying for capital development awards. Below are the most important “do’s and don’ts” to remember.

Do...	Don't...
Review prior capital grant program guidance and application TA materials	Wait for the application to come out before getting started
Start gathering business plan and likely application materials now	Expect to receive an award without site control
Develop a project budget	Submit detailed budgets that haven't been double-checked for accuracy (i.e., "Sources" of funds should always match "Uses" of funds)
Develop detailed financial projections	Assume an overly aggressive growth trajectory
Seek alternate financing or fundraising	Plan to rely entirely on federal funds for the whole project
Complete a thorough Economic Impact Analysis	Forget to thoroughly quantify the multiple positive impacts your project will have on your community
Enlist political and community support	Rely exclusively on market data to show need
Identify potential environmental issues	Set unrealistic time frames that don't take into account the need for various reviews, approvals and competitive bid requirements.
Consider permits/bureaucracy	

## NMTC Awards Expected this Spring – Health Centers with Capital Improvement Plans Should Prepare Now

Awards for \$3.5 billion in **New Markets Tax Credit (NMTC)** allocations are expected to be announced this spring. Community development entities (CDEs) who are awarded these allocations will be actively seeking near-term health center expansion or renovation projects to finance. If your health center is seeking additional funding for a project between Summer 2015 and Spring 2016, NMTC could be the answer – and you should start preparing now!

The NMTC program is a valuable source of low-cost capital for health center facility projects, but obtaining credits from a CDE with an allocation is a highly-competitive and complex process! Interested health centers must demonstrate a high level of project readiness and must be able to communicate the merits of their projects in a language relevant to CDEs with allocation. Moreover, the process of structuring and closing an NMTC transaction is complicated and the terms, benefits and fees offered to borrowers vary widely.

Not only does Capital Link have connections with CDEs who are interested in working with health centers, we also have assisted numerous health centers with combining NMTC financing with HRSA capital grants – an excellent option, especially for projects of \$5 million or more. Read some success stories on our website: <http://www.caplink.org/client-impact/client-stories>.

We welcome the opportunity to explore whether your project might be eligible for NMTC financing and assist you in structuring a financing that will be most advantageous to your health center's needs. 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 NMTC financing for health centers, access our **Spotlight on Capital Resources: New Markets Tax Credits** publication on our website here: <http://www.caplink.org/resources/publications>.

### 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.

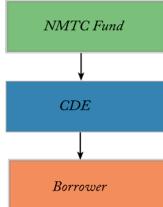
Through a series of competitive application cycles, the CDFI Fund allocates tax credits to Community Development Entities (CDEs). As organizations focused on providing financing in economically-distressed areas, CDEs work to attract investors (primarily banks and large corporations) to provide them with capital in exchange for federal tax credits. The CDEs, in turn, lend or invest this capital 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 tax credit programs such as NMTC—but a structure has been developed that allows 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:



Spotlight on Capital Resources

# Resources

## Capital Project Planning Assistance

Even if a capital grant is awarded, a poorly planned project often goes through fits and starts during the design phase, escalating costs and pushing back the construction timeline. Capital Link provides the following services and tools to guide health centers in the process of planning for a capital project:



To learn more about how Capital Link can help your health center navigate the capital development process, please contact Mark Lurtz, Senior Director of Marketing and Project Consulting at [mlurtz@caplink.org](mailto:mlurtz@caplink.org) or 636-244-3082.

You may also find the following resources helpful:

***Preparing for a Capital Project: Are You Ready?***

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

Upcoming webinar, ***Developing and Using a Capital Project Budget***

Wednesday, February 11, 2015, 2-3 pm EST

Presenter: Dave Kleiber, Project Consultant, Capital Link

Register here: <https://attendee.gotowebinar.com/register/4221211320337665794>

## **Market Assessment and Financial Forecasting as Activities for Capital Readiness**

Knowing your patient base and your community provides an important foundation for executing your capital plan. Information on demographic changes, competing providers, and any other trends relevant to your service area allows your organization to offer culturally relevant programs that meet the demand for services, helping your health center fulfill its mission of accessible care. Understanding patient trends now and in five years will help you shape plans for your facility with respect to the type and volume of programming you will offer. A project concept that has not incorporated sufficient market analysis could result in your health center over- or underestimating the future need for services (and therefore over- or under-building).

Forecasting is another invaluable capital planning tool. It allows a health center to demonstrate its financial capacity to support an expansion project. Given that uncertainty is a current reality for health centers, forecasting allows health centers to create a range of financial feasibility scenarios so they can envision and document how their operations will be impacted by growth and change.

ForecasT<sup>®</sup>, Capital Link's financial forecasting tool, was designed specifically for health centers to provide an analysis of current and historical financial performance, preparing health centers for the effects of a capital project on the bottom line. ForecasT<sup>®</sup> generates projections of the health center's balance sheet, income statement, cash flow, and other pertinent information using detailed revenue and expense assumptions based on estimated patient visits, projected payer mix, assumed staffing levels, and estimated project costs. The data in the ForecasT<sup>®</sup> is updated as the capital project evolves and can be tailored to potential funders or lenders as needed.

To learn more about Capital Link's financial assistance services, go to:

<http://www.caplink.org/services/?id=57:comprehensive-financing-assistance&catid=5:services>

For more information on market assessments, please visit our website at:

<http://www.caplink.org/services/5-services/54-community-and-market-analysis>.

Capital Link will also be presenting on this topic at the NACHC Policy and Issues Forum, Washington, DC:

***Market Assessment and Payer Mix Modeling in an Era of Health Reform (PFH3)***

Thursday, March 19, 2015

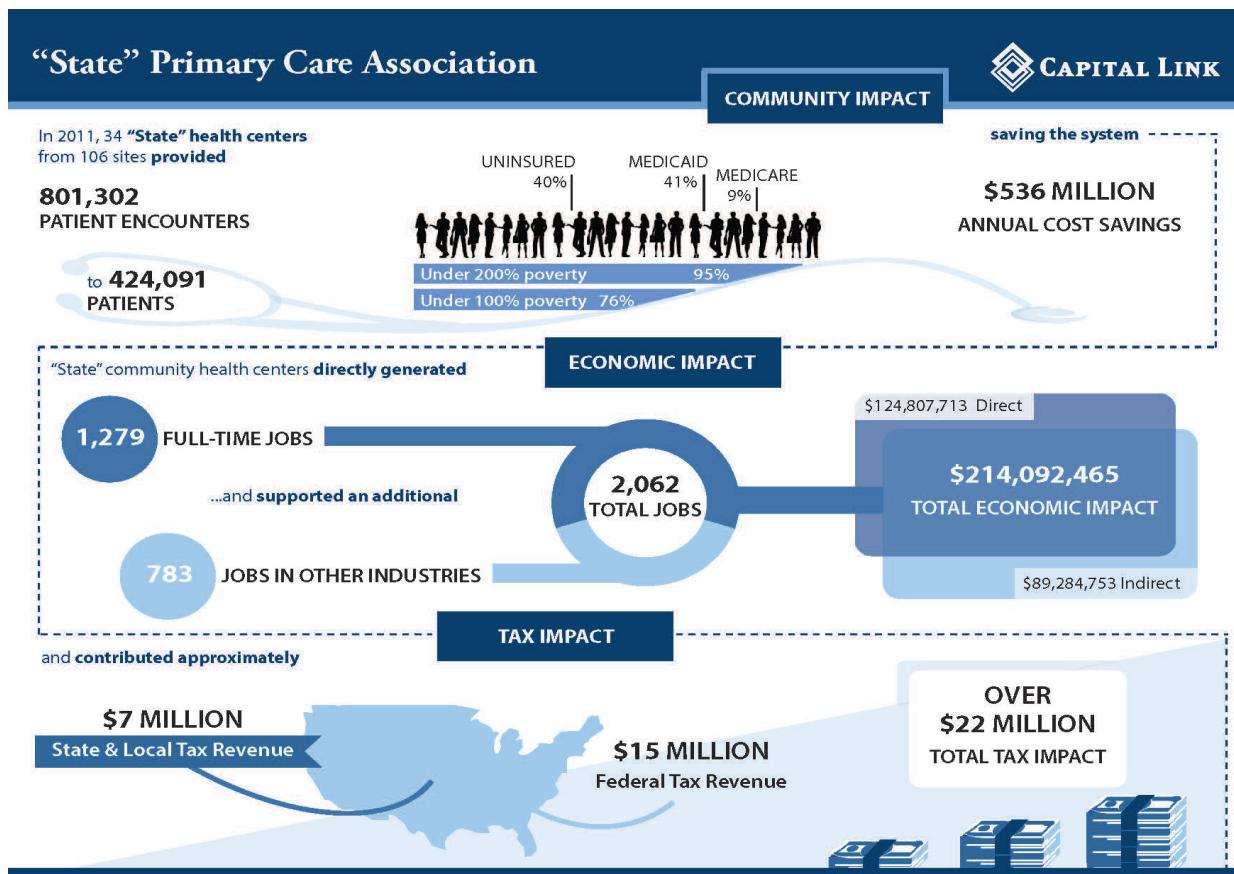
3:30-5 pm, Washington 1

## Special Pricing on Economic Impact Analyses

Using economic modeling software, an **Economic Impact Analysis (EIA)** measures the effect a health center's current operations has on the communities it serves, including job creation, tax impact, and cost savings. Health centers and PCAs have used this information in the past to educate policymakers, seek community support, and pursue funding opportunities.

In preparation for the upcoming NACHC Policy and Issues Forum, Capital Link is offering discounted pricing on our Economic Impact Analysis reports. In order to receive your EIA before the P&I, you must submit all necessary information by February 15th.

To find out more and order, please contact Steve Rubman, Director of Information Systems, at [srubman@caplink.org](mailto:srubman@caplink.org).



## Financial Trends Analysis with Peer Comparison

Capital Link's **Financial Trends Analysis (FTA)** provides health centers and PCAs with customized, in-depth profiles of financial and operational performance ratios and trends over a four-year period. The **Peer Comparison customization option** compares your health center's financial performance against a group of your peers, customized by revenue size and urban/rural classification. Specifically, it provides individual health center trends over four years, peer group benchmark, and a detailed review of results.

To find out more and order, please contact Steve Rubman, Director of Information Systems, at [srubman@caplink.org](mailto:srubman@caplink.org).

## New NACHC Resources Featuring the Latest Health Center Research

The NACHC Research Department recently added three new data-driven resources for health centers. Access them at <http://www.nachc.com/research-data.cfm>:

**Health Centers and Medicare: Caring for America's Seniors** - Factsheet describing health centers' Medicare population and the new Medicare payment structure. Also describes the savings health centers generate for Medicare.

**A Sketch of Community Health Centers** - Chartbook utilizing graphs, figures, and maps to illustrate the health center patient population, services provided, and accomplishments in improving access and delivering high-quality, cost-effective care.

**Health Centers Disproportionately Serve Patients with Costly Chronic Conditions** - Snapshot highlighting the most common chronic conditions health centers encounter.

## 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 addition is **Family Health Centers, WA**. The next addition will be **Presbyterian Medical Services, NM**, which is scheduled to be released in the next few weeks.

We want to congratulate **Wake Health Services, NC**, **Ironton Lawrence CAO/Family Medical Centers, OH**, and **Walnut Street Community Health Center, MD** for closing financing for their capital projects.

## 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/newevents/events>.

### Industry Presentations

#### NACHC Policy and Issues Forum

Washington, DC

March 18-22, 2015

#### **Market Assessment and Payer Mix Modeling in an Era of Health Reform (PFH3)**

Thursday, March 19, 2015

3:30-5 pm, Washington 1

Speakers: Rebecca Polan, Dan Woodman, Project Consultants, Capital Link

With the implementation of the Affordable Care Act FQHCs have an opportunity to improve payer mix by converting existing uninsured patients to Medicaid or to state or federal marketplace health insurance plans. Roughly half of the states have opted to expand Medicaid eligibility.

This session will focus on projecting patient revenue from existing health center users in light of the evolution of payer mix, patient care models, and patient utilization rates. The session will look at the potential implications of a transition from fee-for-service to a managed care system that rewards efficiency, integration of services, and quality of care. The program also seeks to inform health centers' management on the methodology for conducting a market assessment/needs analysis to achieve targeted outreach and planning for growth.

### **Metrics that Matter** (PThH1)

Friday, March 20, 2015

8:30-10 am, Washington 1

Speakers: Dave Kleiber, Project Consultant, Capital Link; and Cindy Barr, Operations and Facilities Planner, Capital Link

In this session, health center board members will learn how to assess their health center's financial and operational performance using benchmarking and comparative metrics from Capital Link's audited financial database and data from the federal UDS reporting system. We'll discuss the difference between calculating outputs and measuring outcomes and will address the value of metrics to achieve the board's oversight responsibilities of monitoring their health center's administrative, financial, and clinical operations. Finally, we will cover key metrics to compare your health center's performance with other health centers and how such information can enhance your health center's financial and clinical success.

### **Webinars**

#### ***Capital Projects Integrating the Social Determinants of Health***

Tuesday, February 10, 2015 2-3 pm EST

Presenter: Rebecca Polan, Project Consultant, Capital Link

Register here: <https://attendee.gotowebinar.com/register/5429610883147128322>

The social determinants of health can be a powerful framework to help health centers become an integral part of a community that sets the foundation for good health. The importance of access to health care is only one dimension of the social determinants of health, which also includes economic opportunity, access to fresh foods, access to exercise, and educational opportunity among other community attributes. Capital Link has observed a trend of health centers increasingly addressing social determinants of health through their capital projects, such as community gardens, gyms, and building space for financial counseling. This session will:

- Define the social determinants of health
- Explore how to determine where community gaps are within a service area
- Provide examples directly from health center leaders on how health centers have successfully incorporated elements in their capital projects that address the social determinants of health

#### ***Developing and Using a Capital Project Budget***

Wednesday, February 11, 2015, 2-3 pm EST

Presenter: Dave Kleiber, Project Consultant, Capital Link

Register here: <https://attendee.gotowebinar.com/register/4221211320337665794>

Every capital project eventually requires a detailed project budget, but the total budget goes well beyond the cost of the architect and contractor. Being familiar with all the cost elements of a capital project will reduce unwelcome surprises and help the project team, both internal and external, to manage a smooth closing. More importantly, accurately projecting the costs of the project will ensure that you secure an adequate amount of project funding. This session will provide a detailed look at the line items of a typical capital project budget and provide a cost range for each to allow for a better understanding of what to expect.