

CAPITALink

A Quarterly Resource Bulletin from Capital Link, Spring 2017 Issue

Message from the CEO

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We are looking forward to seeing many of you at the NACHC Policy and Issues Forum next week as we forge ahead in this time of change and uncertainty. More than ever, it is essential for health centers to become strategically and operationally agile in planning for the future, and this issue of *Capital Ink* contains information to help you achieve your goals.

Learn about an upcoming opportunity to finance your health center capital project utilizing New Markets Tax Credit financing in the article, **2017 New Markets Tax Credit Program Allocation Round – Are You Ready?** In **Why Should You Do a Market Assessment?** you'll learn why and how to take this essential step in the strategic planning process, especially during periods of rapid industry change. **The Value + Impact of Health Centers: New Infographics and Supporting Data** will describe how PCAs and health centers are actively communicating their value and impact to legislators and other stakeholders.

As always, there's also an update on the latest federal issues, health center highlights, and a list of upcoming trainings and presentations – we hope to see you at the P&I!

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>

House Republicans Release Proposed Health Care Legislation

March 6, 2017 – House Republicans released a draft of proposed legislation to repeal and replace the Affordable Care Act titled the American Health Care Act (AHCA). The proposed bill was next considered by the two primary committees with jurisdiction over health care – the Energy and Commerce Committee (access the section-by-section summary [here](#)) and the Ways and Means Committee (access the section-by-section summary [here](#)) before going to the Congressional Budget Office for scoring. Read more about the proposed legislation [here](#) and the CBO's analysis [here](#).

Congressional Budget Office Releases Projections for Proposed Republican Health Care Bill

March 13, 2017 – The Congressional Budget Office (CBO) provided analysis of the House Republicans proposed health care legislation, the American Health Care Act (AHCA). The CBO and staff of the Joint Committee on Taxation project that enacting the legislation would result in a dramatic loss in coverage, especially for patients covered by Medicaid. To read the CBO's full report, click [here](#).

Op-Ed: Community health centers contribute significantly to taxpayer savings

February 9 – In an op-ed in Roll Call, former Senate Majority Leader Tom Daschle (D-SD) and former Secretary of Health and Human Services and former Governor of Utah Mike Leavitt (R-UT) present health centers as “one health care solution that can help us achieve a high-performing, high quality, and cost-efficient health care system.” Read more [here](#).

NMTC Program Update: CDFI Fund to Potentially Open 2017 Application Round for Allocation This Month

In order to be able to announce the allocation of New Markets Tax Credits in the year for which they are authorized, the Community Development Financial Institutions Fund (CDFI Fund) announced that it will likely open the CY2017 round by the end of the first quarter. Once the announcement is made, the latest information will be available [here](#) on the CDFI Fund website. While health centers do not generally apply directly for credits, it's important to make your project known to those financing entities that are applying. For information on how Capital Link can help your health center utilize this funding opportunity see the article, **2017 New Markets Tax Credit Program Allocation Round – Are You Ready?**

Bipartisan Call to Make New Markets Tax Credits Permanent

February 16, 2017 – Legislation was introduced in the House and Senate to secure the future of the New Markets Tax Credit (NMTC) program. The bills, both titled The New Markets Tax Credit Extension Act of 2017, respectively [H.R. 1098](#) and [S. 384](#), would ensure that rural communities and urban neighborhoods left outside the economic mainstream have access to financing to grow their economies and create jobs. Learn more [here](#).

HHS Funding Opportunity – Homeless Health and Housing

The U.S. Department of Health and Human Services (HHS) Substance Abuse and Mental Health Services Administration (SAMHSA) is accepting applications for grant funding to support the coordination of behavioral health care and housing services for the homeless. SAMHSA will award approximately 24 organizations with up to \$400,000 for efforts that connect patients with substance abuse disorders to community services that provide permanent housing and support services. Grant applications are due April 25, 2017. Click [here](#) to learn more.

New and Noteworthy

2017 New Markets Tax Credit Program Allocation Round – Are You Ready?

Does your health center have a capital project on the horizon? With the Community Development Financial Institutions Fund (CDFI Fund) likely opening the 2017 application round for allocation at the end of this month (keep checking [this link](#) for updates), now is the time to act!

The NMTC program is highly competitive, with demand for credits for worthy projects vastly exceeding the supply. Health centers that want to obtain credits for their projects must carefully align their project planning cycles with the NMTC funding cycle. Capital Link has extensive knowledge of the NMTC financing process and can provide assistance with the complex process of obtaining a commitment of credits and completing a NMTC transaction. We are currently offering several NMTC-focused webinars and free technical assistance. To find out how Capital Link can help your health center capitalize on this invaluable financing option, please contact Jonathan Chapman, Director of Community Health Center Advisory Services at 970-833-8513 or jchapman@caplink.org. Or if you're planning on attending the P&I later this month, Capital Link staff will be available throughout the conference to discuss how we can help you achieve your goals, including opportunities for expansion through New Markets Tax Credits. [Click here](#) to set up an appointment.

To help health centers understand NMTC, Capital Link has prepared a variety of resources, described below:

Spotlight on Capital Resources:
New Markets Tax Credit Program Extension

This publication is the third in a series published by Capital Link to inform health centers about the New Markets Tax Credit program and how they can potentially use it as part of a financing strategy for a capital project. In 2012, Capital Link published *Spotlight on Capital Resources: New Markets Tax Credit Program*, which provided a basic program description and an example of how such a transaction might be used to finance a capital project for a Federally Qualified Health Center (FQHC or health center). In 2014, Capital Link published *Spotlight on Capital Resources: New Markets Tax Credit Program Update*, which described how to qualify for the program under a specialized Targeted Population criteria (instead of census tract-specific poverty statistics) and the steps required at the end of the seven-year tax credit period for health centers to realize the full benefits of the tax credits. Health centers unfamiliar with the NMTC program can access the two prior publications at www.caplink.org/resources/publications.

This document will focus on the latest developments in the NMTC program, particularly for health centers interested in financing and constructing qualifying projects in the next several years. The topics include:

- The implications of the recently announced five-year NMTC program extension;
- The steps in preparing to utilize NMTC for your project (including a discussion on new constraints on the use of the "One Day Loan" structure); and
- The feasibility of using a "Developer Fee" in the transaction to increase investment in your project.


A Brief Review of the NMTC Program

To summarize the program benefits for those who need a quick refresher:

New Markets Tax Credits is an economic development program administered by the CDFI Fund under the U.S. Department of the Treasury. The program was designed to stimulate private investment in low-income communities by enticing investors to provide capital to Community Development Entities (CDEs), organizations focused on providing financing to economically distressed areas, 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. Since the NMTC program's inception in 2000, many FQHCs have utilized this powerful but complex financing tool to their advantage – some for more than one project, and at least one FQHC for three separate projects. This is due, in part, to the fact that many health center projects qualify as low-income community businesses because the census tract-based qualifying criteria for NMTCs are often very comparable to the service areas for FQHCs established by the Health Resources and Services Administration (HRSA).

Health centers interested in pursuing NMTC should determine whether the select demographic statistics of the census tract in which their project is located make it Eligible or (preferably) Highly Distressed according to the thresholds noted in the table below.

Census Tract Criteria	Eligible	Highly Distressed
Poverty Rate	>20% or	>30% or
Median Family Income	<80%	<60% or
Unemployment Rate	N/A	1.5x the national average

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Spotlight on Capital Resources: New Markets Tax Credit Program

Capital Link has published a series of three resources explaining what the NMTC Program is, how this type of financing works, and important updates on how health centers can qualify and the steps necessary to use NMTC for a capital project. These resources were developed with support from HRSA and can be accessed [here](#).

Save Millions by Using New Markets Tax Credits and/or Tax-Exempt Bonds to Finance Your Capital Project

Wednesday, March 22, 2017, 2-3 p.m. ET

Let's be blunt: the use of New Markets Tax Credits (NMTC) and Tax-Exempt Bonds (TE Bonds) on a \$5 million project can provide your health center with approximately \$1,250,000 up front (NMTC) and save you \$800,000 over the 25 years of your loan (TE Bonds). By beginning the financing process early enough to take advantage of these two incredible financing tools, your health center can literally save \$2 million on a \$5 million project. Simply put, this webinar shows you the benefits of these financing options and how to obtain them for your project. Register [here](#). A recording will be posted [here](#) on our website if you miss it.

Why Should You Do a Market Assessment?



In times of change, success requires anticipation and preparation. It is imperative to identify and evaluate opportunities for growth, marketplace competition, projected market share, demand for services, unmet needs, and emerging trends. Whether your health center is expanding to a new site or evaluating changes in its existing service area, a market assessment provides essential information to guide your organization's strategic direction. Below is information that a market assessment can provide:

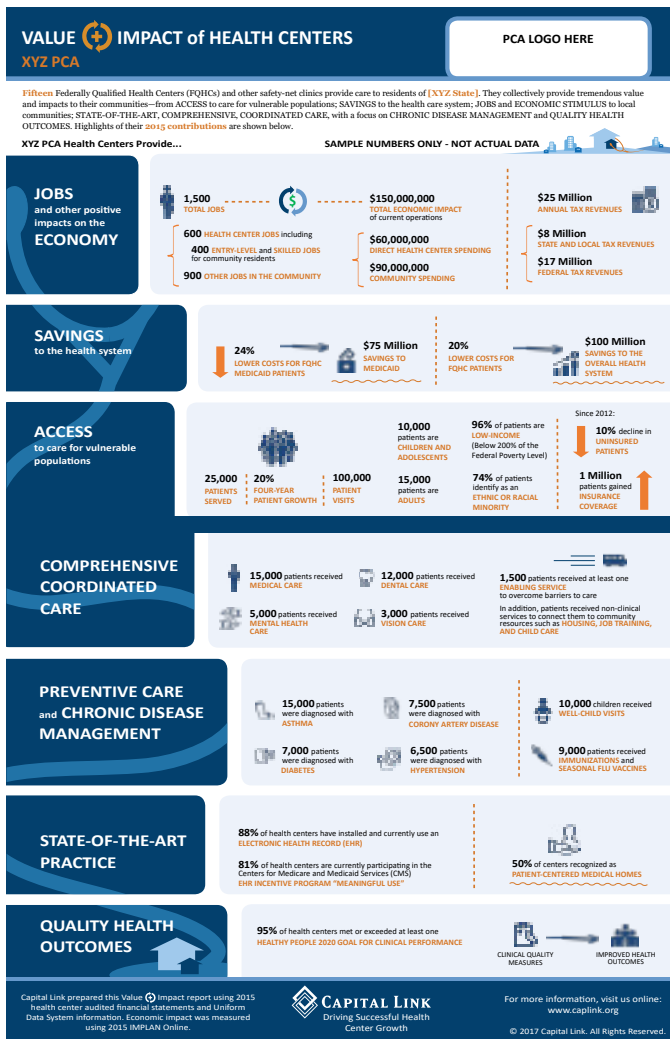
- 1. Define Market Service Area** - Using zip codes, a health center can focus on the general population or specific segments (e.g., children, women of childbearing age, etc.). Sources include:
 - American FactFinder by the U.S. Census (<http://factfinder2.census.gov>),
 - Fee-based sites such as DemographicsNow (www.DemographicsNow.com)
- 2. Determine Health Needs** - State and county health departments are usually the most up-to-date source for accurate health indicators, such as immunization and mortality rates. The following resources also provide similar health indicators for all states:
 - County Health Rankings (<http://www.countyhealthrankings.org/>)
 - Community Health Status Indicators (www.cdc.gov/CommunityHealth)
 - HealthLandscape (www.healthlandscape.org)

- 3. Assess Population Size by Payer Mix in Health Center Service Area** - It is important to understand the potential payer mix in your service area and how it might change. The following resources provide payer mix information.
- Medicaid – Enrollment data is available through the state offices of Medicaid
 - Medicare – Enrollment by county (<http://www.cms.hhs.gov/MedicareEnrpts/>)
 - Uninsured – US Census (<https://www.census.gov/did/www/sahie/data>)
 - Exchange-Eligible – Uninsurance Explorer Tool (www.udsmapper.org)
- 4. Estimate Market Share** - Compare your health center’s patient base to overall service area market size by payer to estimate its market share. For example, if there are 4,000 Medicaid enrollees in your service area and your health center has 800 Medicaid patients, your market share is 20%. Lower market share suggests greater market potential, while any market share of the Medicaid population that is over 60% merits a close analysis of other Medicaid providers as described below.
- 5. Review Competition/Similar Providers** - Understanding the market environment in which your health center operates includes an analysis of similar providers. The UDS Mapper (www.udsmapper.org) provides detailed market data on the Federally Qualified Health Centers (FQHCs) and FQHC Look-Alikes providing care down to the zip code level. However, analysis should not stop there. Below are a few resources to help identify other providers in your area who are accepting Medicaid and the uninsured:
- State Medicaid websites often share phone numbers of providers (e.g. Family Practitioners, OBGYN, and Pediatricians) that are accepting new Medicaid patients.
 - For rural areas, market data on service site locations can be found via the Centers for Medicare and Medicaid (CMS) website (<https://www.cms.gov/center/rural.asp>). Note that Rural Health Clinics and Critical Access Hospitals are often the greatest source of primary care, although these entities are not required to serve the uninsured.
- 6. Estimate Unmet Need/Strategic Program Opportunities** - This final step pulls the market information together and establishes the foundation for programmatic decision-making. Planners should answer the following questions:
- Based on the demographic data, health indicators, and insurance mix, what is the unmet need of the population segments?
 - How should the health center address those opportunities via program changes/expansions/refocus?

For more information on Capital Link’s Market Assessment services, please click [here](#) to visit our website. You can also find a Market Assessment worksheet on p. 33 of our publication, [Creating a Dynamic and Useful Strategic Plan, A Toolkit for Health Centers](#), and a recording of the webinar, [Planning in Uncertain Times: Market Assessment for Service Expansion to Respond to Community Needs](#).

New Resources

The Value + Impact of Health Centers: New Infographics and Supporting Data



As we face the prospect of a changing health care landscape, driven by discussion of a potential repeal of the Affordable Care Act, a rollback and potential block-granting of Medicaid, and loss of Section 330 grant funding, many PCAs and health centers are actively communicating their value to legislators and other stakeholders. The story of what health centers bring to their communities can be told along the following domains:

1. Employment and Economic Impacts
2. Savings to the Health Care System
3. Access to Care
4. Comprehensive Coordinated Care
5. Preventive Care and Chronic Disease Management

Capital Link recently created customized **Value + Impact of Health Centers** infographics and supporting data for PCAs, consortia, and HCCNs in **California, Tennessee, Maine, Arizona, and Arkansas** to help demonstrate health centers' value statewide, and within counties and federal congressional districts. A sample is shown on the left. Click [here](#) to view a larger sample.

We've also developed customized infographics illustrating the projected impact of a rollback to pre-ACA levels of Medicaid eligibility and insurance subsidies, and cuts to federal operating support. Access California Primary Care Association's recently released **Value of Health Centers Today and Tomorrow** [here](#).

For more information about our Value + Impact infographics and reports, please contact Steve Rubman, Director of Data & Information Systems, at srubman@caplink.org or 617-422-0350.

Two New NACHC Infographics Highlight Health Center Impact

NACHC has developed two new data driven infographics to illustrate how health centers have expanded their reach and their capacity to deliver a variety of integrated services to patients between 2010 and 2015. "Health Centers Expanding Reach" can be found [here](#), and Health Centers Expanding Capacity is located [here](#).

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](#). The next two stories will highlight **Mountain Park Health Center, AZ** and **Family Health Center, MI**, which both used Healthy Futures Fund financing and subordinated loans from Capital Link's affiliate Community Health Center Capital Fund for their projects.

Several consortia/Primary Care Associations are also helping their members strengthen business operations during through Capital Link's **Advancing Financial Strengths** (AFS) program. **Community Clinic Association of Los Angeles County** is completing its second year of AFS, while the **Missouri Primary Care Association** is kicking off an AFS program this spring, and the **Massachusetts League of Community Health Centers** is hosting a pre-conference session at their upcoming [Community Health Institute](#).

AFS is a technical assistance program that provides health center staff from all levels of the organization with financial and operational benchmarking assistance, tools, and training. At the start of the program, Capital Link provides the participants with a [Performance Evaluation Profile](#), a customized diagnostic tool to help them to better understand their own financial status as well as how they compare to other centers in the region and state. Participants are then invited to a series of webinars and/or onsite trainings which serve as a platform for sharing best practices and building knowledge. As a final phase of AFS, participants can be provided with customized on-site and/or remote technical assistance focused on improving health center business operations and financial health.

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/events>.

Presentations

[NACHC Policy and Issues Forum](#)

March 29 - April 1, 2017

Washington, DC

Booth 512

Establishing a Successful PACE Program in the Health Center Context (PFF1)

Friday, March 31, 8:00 – 9:30 AM, Virginia

Presenters: Allison Coleman, CEO, Capital Link; Peter Fitzgerald, Executive Vice President, Policy and Strategy, National PACE Association; Jack Cradock, Principal Consultant, The Galway Group

All Board Members on Deck: Using the Strategic Planning Toolkit to Chart Your Health Center's Path to Success (PFK1)

Friday, March 31, 8:00 – 9:30 AM, Washington 4-6

Presenter: Jonathan Chapman, Director of Community Health Center Advisory Services, Capital Link

***Board Oversight of Financial & Operational Performance:
Understanding What Metrics Tell You (PSaK1)***

Saturday, April 1, 8:30-10:00 AM, Washington 4-6

Presenter: Jonathan Chapman, Director of Community Health Center Advisory Services, Capital Link

California Primary Care Association Chief Financial Officers Conference

April 6-7, 2017

Rancho Mirage, CA

Identifying the Drivers of Maximum Performance

Thursday, April 6, 4:30-6:00 PM

Presenters: Susan Petrie, Chief Operating Officer, Capital Link; Charles Moore, Founder and President of HealthMETRICS; Sergio Bautista, Chief Financial Officer/Chief Operating Officer, ChapCare

Montana Primary Care Association Spring Symposium

April 19-20, 2017

Helena, Montana

Massachusetts League of Community Health Centers Community Health Institute & Exhibit

May 2-5, 2017

Falmouth, MA

Advancing the Financial Strength of Health Centers - Pre-Conference Session

Tuesday, May 2, 8:45 AM – 5:00 PM

Presenters: Allison Coleman, CEO, Capital Link; Susan Petrie, Chief Operating Officer, Capital Link; Dan Woodman, Project Consultant, Capital Link; Charles Moore, Founder and President of HealthMETRICS

Webinars

Capital Link's upcoming webinars are posted [here](#) on our website. You can find recordings of our past webinars [here](#). Our next scheduled webinar is:

Save Millions by Using New Markets Tax Credits and/or Tax-Exempt Bonds to Finance Your Capital Project

Wednesday, March 22, 2017, 2-3 p.m. EST

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.