

The Impact of a Capital Project: *Family Health Centers of San Diego*

Introduction

As the demand for quality health care services in low-income communities continues to increase, health centers are striving to meet this demand through facility and operational expansion. These efforts include the construction of new health center facilities and the remodeling of existing space, as well as the expansion of the variety and depth of health care services. This case study focuses on the incremental expansions and improvements made by Family Health Centers of San Diego (FHCS D), a Federally Qualified Health Center (FQHC) located in San Diego, California.

FHCS D operates 23 primary care clinics, including three mobile medical units, a teen health center, eight dental clinics, seven behavioral health facilities, an outpatient substance abuse treatment program, vision services, and a pharmacy. FHCS D has been providing a broad range of primary care services to the residents of San Diego and surrounding areas since 1970. Since then, the organization has grown to become the seventh largest FQHC in the country by total patients and fifth largest by full-time equivalent employees (FTEs)*, according to 2015 Uniform Data System (UDS) information.



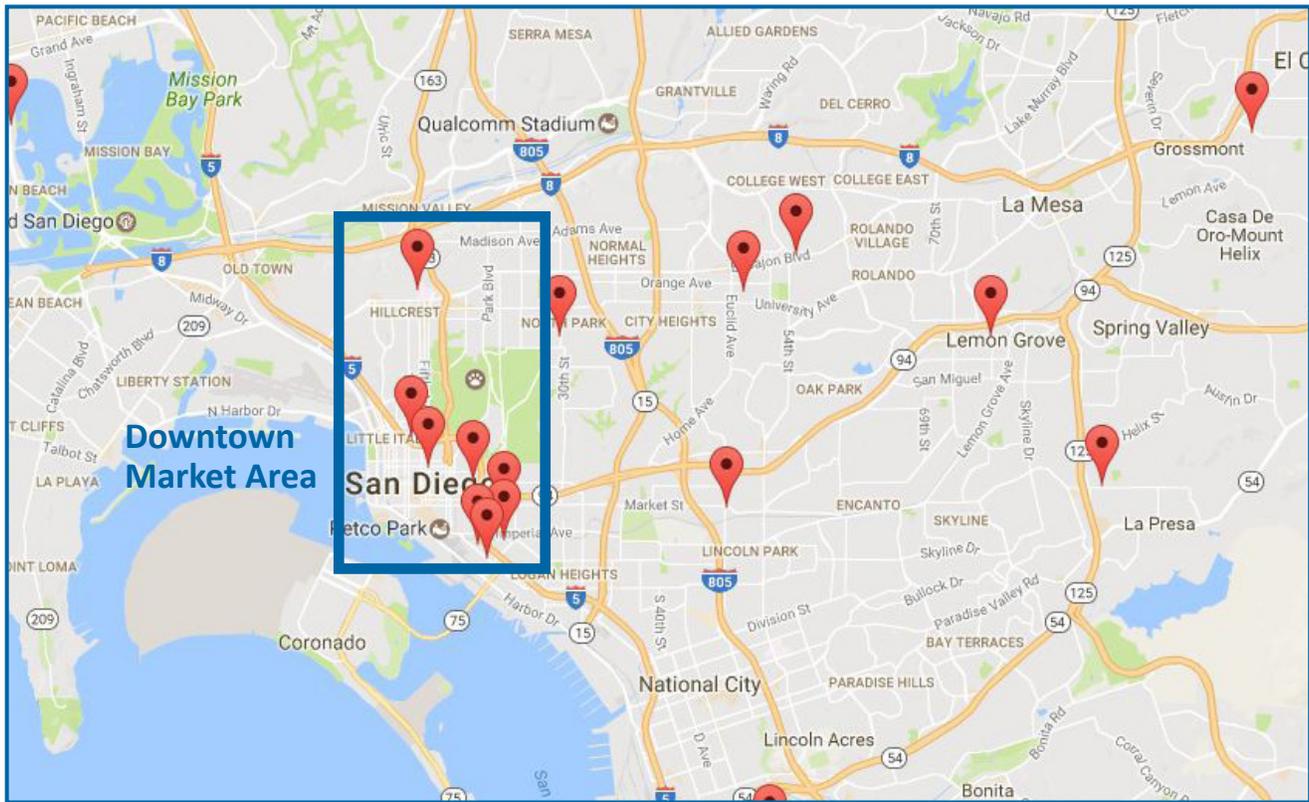
FHCS D's Elm Street Family Health Center

FHCS D's FamilyHealth on Commercial



*Full-time equivalent (FTE) of 1.0 means that the person is equivalent to a full-time worker. In an organization that has a 40-hour work week, a person who works 20 hours per week (i.e. 50 percent time) is reported as "0.5 FTE." FTE is also based on the number of months the employee works. An employee who works full time for four months out of the year would be reported as "0.33 FTE" (4 months/12 months).

FHCSD Service Sites & Downtown Market Area



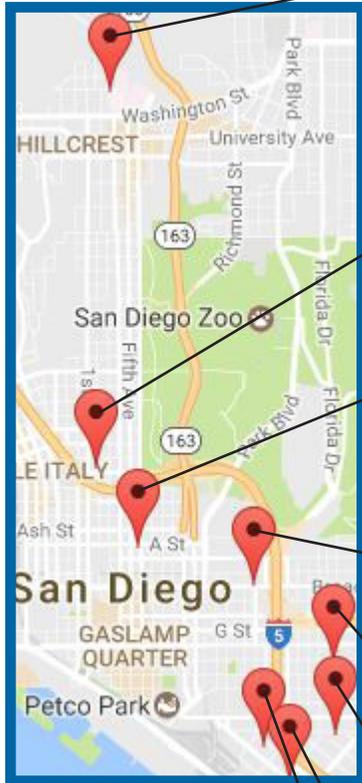
Due to its numerous clinic locations, FHCSD’s impact on the population of the greater San Diego area goes beyond its role as a provider of primary care services, and has become a major economic force in the community. In response to population growth and increased demand for a variety of primary care services, the center has effectively never stopped expanding; whether through adding new services, building new facilities, or expanding/renovating existing ones. As one of only eight FQHCs nationally to employ more than 1,000 FTEs (2015 UDS), FHCSD serves as an example of the significant economic impact health centers have on communities across the country.

FHCSD’s growth strategy has been twofold:

1. To provide caring, affordable, high-quality health care and supportive services to everyone, with a special commitment to uninsured, low-income, and medically-underserved persons.
2. To provide specialized care for specific underserved populations (i.e., homeless, HIV patients, low-income housing residents, older adults, students, and teens) who, in large part, reside in the downtown core.

This case study focuses specifically on the capital investments FHCSD made over a three-year period in the eight health center facilities it operates within San Diego’s downtown core, or what FHCSD refers to as the Downtown Market Area (DMA), as indicated on the following page. Home to nearly 177,000 people (in 2016) and the daily destination of a large number of commuters from surrounding areas, the DMA is comprised of four zip codes (92101, 92102, 92103, and 92113). The eight DMA facilities include most of FHCSD’s original sites along with some new leased facilities established in collaboration with schools, low-income housing providers, and a homeless shelter.

FHCSD Downtown Market Area (DMA)



- **Hillcrest Family Health Center:** Offers primary care services, STD screening, mental health services, and has a special commitment to providing HIV and Hepatitis B and C care to patients.
- **Elm Street Family Health Center:** Offers priority to homeless patients for managed care for diabetes, asthma, and blood pressure, as well as mental health counseling, dental services, STD screening, and wellness visits.
- **Downtown Family Health Center at Connections:** Co-located with Connections Housing, part of the People Assisting the Homeless (PATH) project, this clinic focuses on providing sick visits, physicals, vaccinations, mental health counseling, and substance abuse services to all individuals with an emphasis on the homeless population. This clinic also serves as a specialized clinic for older adults in the DMA.
- **Family Health Center at City College & Teen Health Center:** Provides students, staff, and nearby residents with convenient access to quality, affordable health care. Partners with City College's nursing program to provide students with hands-on, real-world experience. Also houses the Teen Health Center which provides peer education, vaccinations, acute care, and sexually transmitted disease screening and treatment.
- **Sherman Heights Family Health Center:** This school-based health center offers vital health care services for parents, students, and the surrounding neighborhood, including physicals, sick visits, and vaccinations.
- **FamilyHealth on Commercial:** In partnership with Bridge Housing, a low income and affordable housing development, and other local support providers, this clinic offers pediatrics, adult medicine, women's services, health education, and a host of supportive services.
- **Logan Heights Family Health Center:** FHCSD's flagship clinic offers fully-integrated primary care services including pharmacy, dental, vision, podiatry, health education and pre-natal education along with access to specialty care. This location also houses the Family Counseling Center which offers comprehensive behavioral health and substance abuse services.
- *Former location of Teen Health Center*

As indicated in the table below, FQHCs reported serving 56,885 patients in the DMA in 2015, which is an impressive 33% market share of the total population. This market share compares very favorably to the performance of FQHCs in six other US cities of similar size (see table below). While the DMA has a lower percentage of low-income residents than these peer cities, this population is clearly well served by FQHCs with 69% health center patients.

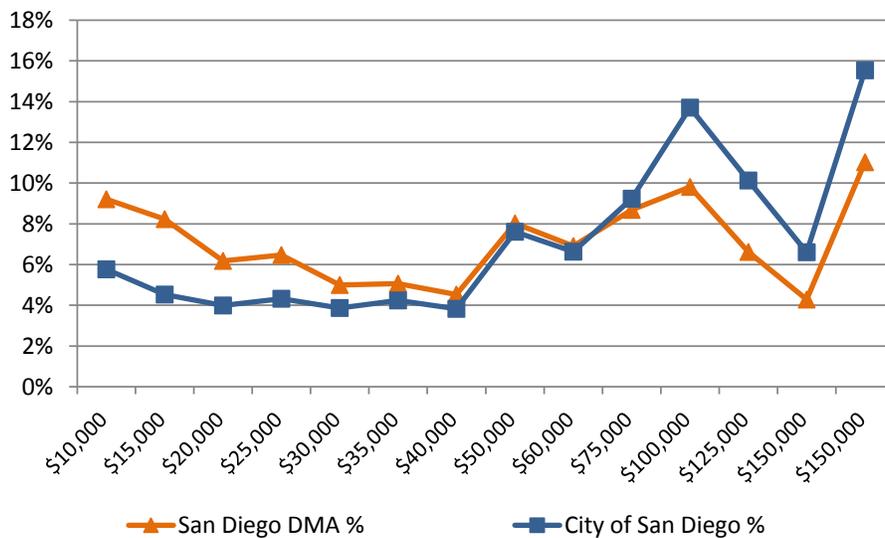
2015 FQHC Market Share in San Diego vs. Similar US Cities

City	Downtown Zip Codes Included	FQHC Count, Weighted by Zip Code	Total Pop.	% Low Income	Total FQHC Patients	Market Share of Low Income	Market Share of Total Pop.
San Diego	4	11.8	172,734	47.4%	56,885	69%	33%
Dallas, TX	7	3.1	178,934	59.0%	10,187	10%	6%
Philadelphia, PA	8	11.2	182,962	53.5%	51,609	53%	28%
Phoenix, AZ	8	10.0	181,312	60.8%	28,307	26%	16%
San Antonio, TX	10	2.0	195,426	62.7%	19,941	16%	10%
San Jose, CA	4	8.7	173,866	45.0%	29,995	38%	17%
Austin, TX	8	3.3	195,163	51.4%	30,897	31%	16%

Source: UDS Mapper, <https://www.udsmapper.org/index.cfm>.

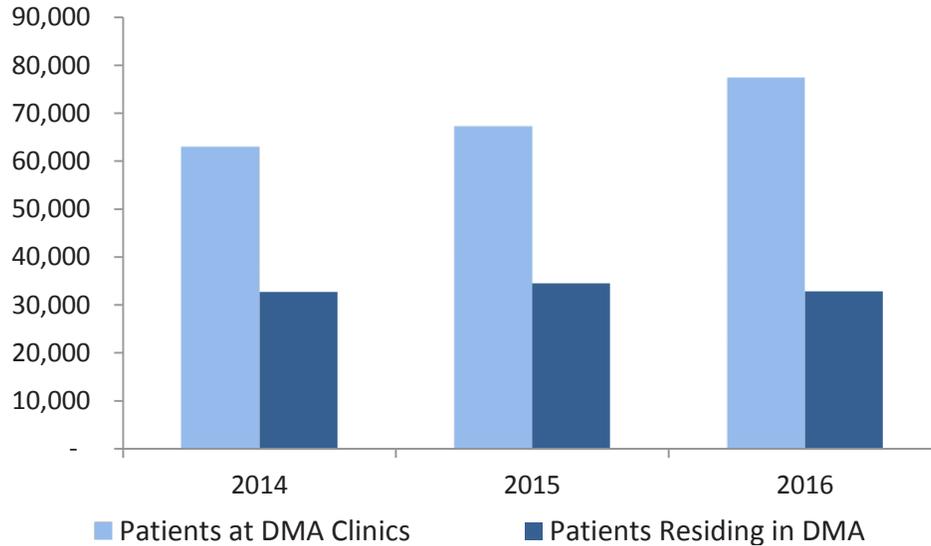
Perhaps even more remarkable, however, is that FHCS D reported serving 34,544 patients in the DMA, which represents a 60.7% market share of all FQHC patients in the service area. This dominant market share is especially noteworthy given that the four San Diego zip codes are served by a total of over 11 FQHCs. These statistics reflect FHCS D’s ability to attract patients from across the city’s socioeconomic strata. As can be seen in the photographs throughout this report, FHCS D’s facilities are modern and attractive. This clearly sends the message FHCS D has a commitment to providing state-of-the-art health care services regardless of the income status of patients. Also, as can be seen in the chart below, the population of the DMA has a significantly lower income level than that of the City of San Diego as a whole.

Household Income in DMA vs. San Diego



FHCSD’s success in attracting patients to its facilities is confirmed by the fact that a high percentage of the patients seen at the eight locations within the DMA do not reside there (see chart below). Presumably these patients are commuters to the downtown area who find FHCSD’s facilities meet their need for convenient, quality care.

Total DMA Patients vs. Patients Residing in DMA



Capital Investment Strategy

FHCSD’s strategy of continuous growth has been driven by a steady increase in the population of the DMA that has exceeded that of the City and recently, the County of San Diego (see table below).

Population Growth Rates

	2000-2010	2010-2016	2016-2021
Downtown Market Area	9.0%	10.0%	3.0%
City of San Diego	3.2%	7.2%	2.4%
County of San Diego	10.1%	7.6%	3.1%

Source: Alteryx, a subscription demographic data service.

These positive population growth rates are projected to continue over the next five years, albeit at a slower rate. This trend of people moving back into the downtown area mirrors that seen in many major cities around the country, but the population growth does not appear to be predominantly seniors and retirees. As noted in the table below, the percentage of seniors in the DMA is projected to increase but remain well below that of the city and county.

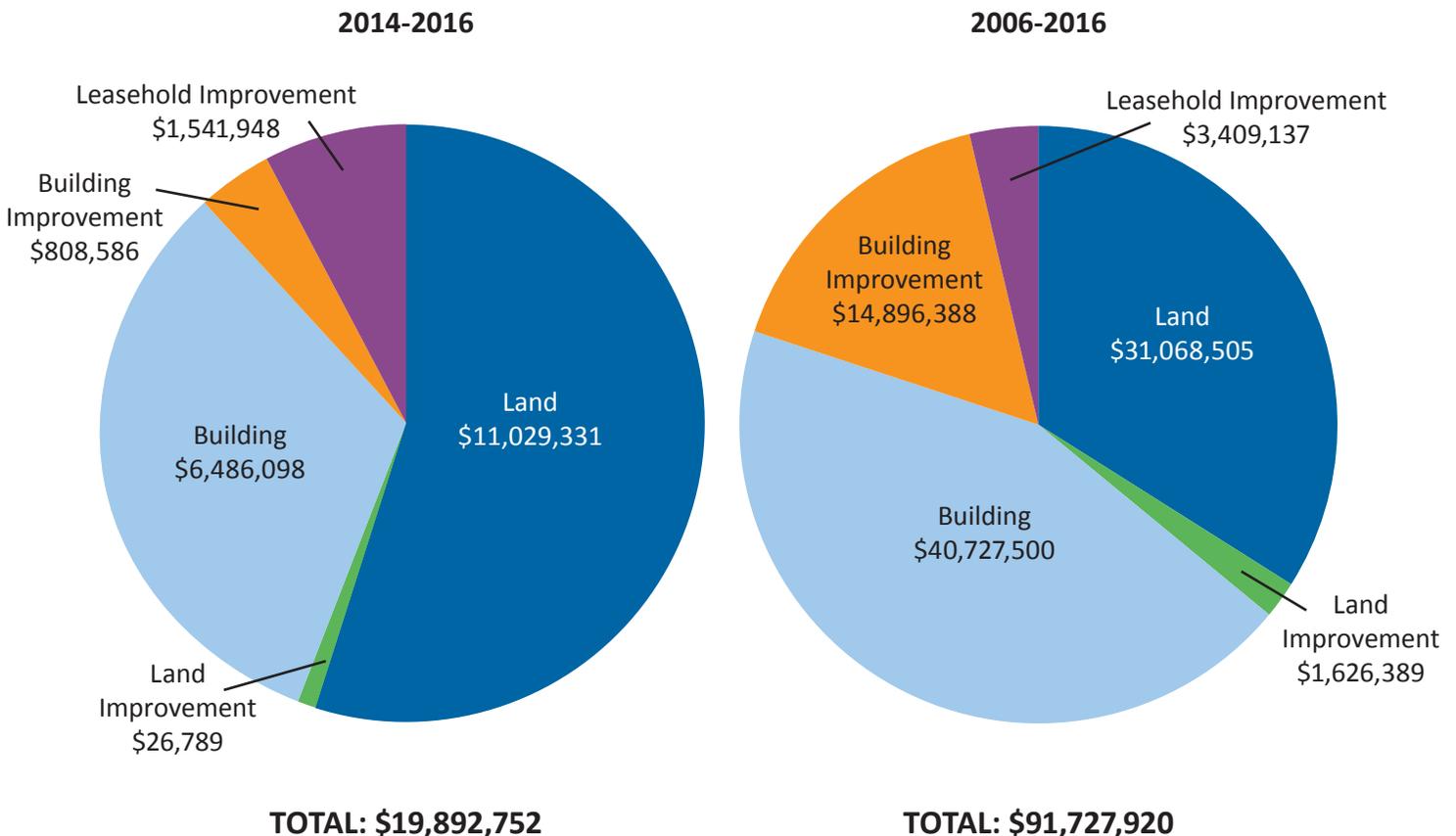
This suggests that a substantial portion of the population growth is made up of working age individuals and families who have different health care needs than seniors. Over the last ten years, FHCSO has expanded the breadth of services offered to include specialized care, mental health, and substance abuse services.

Senior Population

	2000	2010	2016	2021
Downtown Market Area	9.8%	9.6%	10.3%	11.5%
City of San Diego	10.4%	10.7%	11.8%	13.4%
County of San Diego	11.3%	11.3%	12.8%	14.3%

FHCSO spent over \$91 million in capital expenditures on the eight DMA health center facilities over the past decade, and almost \$20 million between 2014 and 2016, as illustrated below.

FHCSO's Total Capital Expenditures in DMA



Not surprisingly given its southern California location, land costs accounted for the largest share of the center's recent capital expenditures. These land expenses were disproportionately high from 2014-2016 as FHCS D purchased land for its new Logan Heights Family Counseling Center 2 (currently under construction) and for a parking lot expansion adjacent to Logan Heights Family Health Center.

The most significant projects within the DMA completed during the timeframe reviewed were the Hillcrest Family Health Center and FamilyHealth on Commercial, which occupies leased space within a low-income housing project. The total capital expenditures in the DMA represented approximately one-third of the total capital expenditures for FHCS D during the three-year period. The majority of the non-DMA expenditures were for brand new clinic facilities in the Diamond, Oak Park, and El Cajon neighborhoods, which were all financed through the New Markets Tax Credit (NMTC) program. None of the projects within the DMA were large enough to justify using this advantageous financing vehicle, which typically works best for projects over \$6 million. As a result, the DMA projects completed during the study period primarily utilized FHCS D's cash flow and limited bank borrowing. However, the aforementioned Logan Heights Family Counseling Center 2, which is currently under construction, utilized NMTC financing. Most of the capital costs, with the exception of land purchases, occurred in 2017.

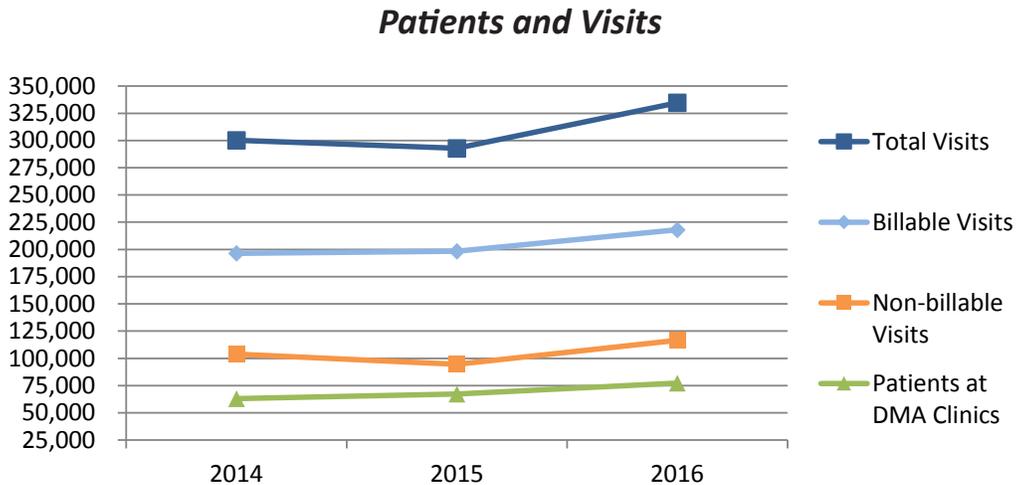
Clearly a program of continuous growth such as that described in the DMA has to be financed either through debt or internally-generated cash flow. During the study period, FHCS D successfully launched a 340B pharmaceutical program that has generated cash flow that was critical to the financing of these capacity improvements. Moreover, FHCS D expanded its fundraising staff to maximize its grant and contribution income. Finally, FHCS D constantly monitors its patient base and payer mix to be certain that every Medi-Cal eligible patient is enrolled. This strategy has increased administrative staff and related overhead expenses, but higher per-patient revenue has more than covered the increased payroll.



Logan Heights Family Health Center

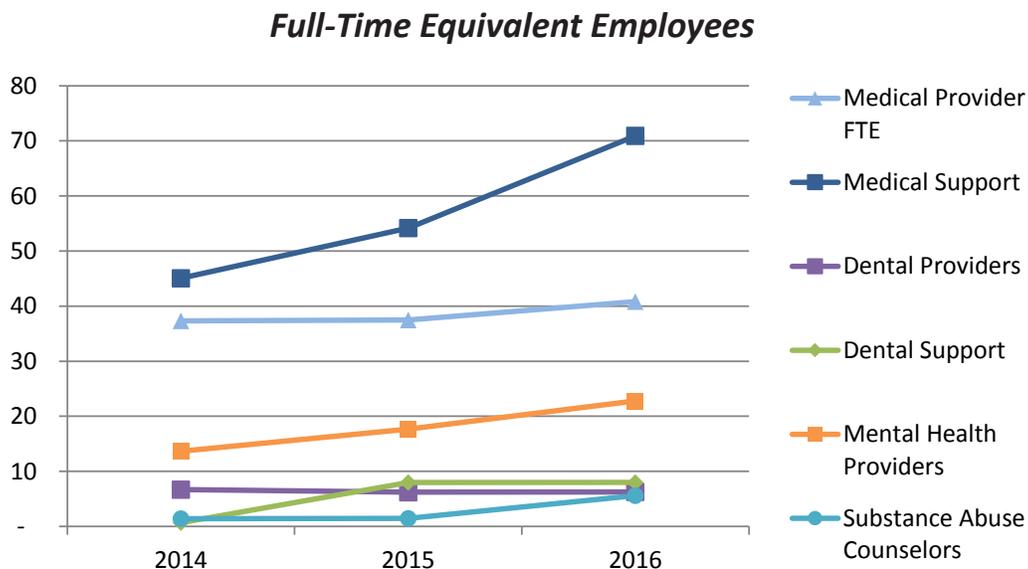
Economic Impact

The impact of FHCS D’s capital investments within the DMA are already becoming apparent, as illustrated in the patients and visits (both billable and non-billable) chart below.



In just three years’ time, FHCS D’s direct employment within the DMA increased by 159 jobs, 43% of which were administrative and patient support roles. This consistent job growth prompted FHCS D to open its own administrative and IT training facility within its Health Information Technology Education and Career (HITEC) Center in 2015, further described in the final section of this report.

The expansion of programmatic services is evident in the chart below. The most significant increases in FTEs were to support mental health services, substance abuse treatment, and for medical support personnel as FHCS D implemented a team-based care approach at all its clinic locations.



The impact of FHCS D’s ongoing commitment to providing primary health care services in the DMA has gone beyond its direct investment in real estate, buildings, equipment, and employees to include a significant amount of indirect and induced benefits to the area*. **The health centers’ direct investment of over \$20 million in DMA facilities leveraged an additional \$10 million in indirect and induced economic activity over the three-year period.** The employment estimates are based on construction jobs created and retained as a result of the projects. FHCS D also made a substantial contribution to the tax base of the area with over \$3 million in taxes paid from the completion of a range of capital projects.

Stimulated by the Design and Construction of the Capital Projects

	Economic Impact	Employment (# of FTEs)	Tax Impact	
			State & Local	Federal
Direct	\$20,027,350	116	\$349,350	\$1,541,470
Indirect	\$4,651,503	26	\$196,633	\$413,452
Induced	\$6,178,463	43	\$243,426	\$543,109
Total	\$30,857,316	186	\$789,409	\$2,498,031
			\$3,287,440	

As a result of these capital expenditures, FHCS D generated increased impacts associated with its ongoing operations. This is measured by taking a snapshot of the impact of its expenses level in 2014 (Direct, Indirect, and Induced) and again in 2016, as shown in the following two charts.

Stimulated by FHCS D’s 2014 Operations

	Economic Impact	Employment (# of FTEs)	Tax Impact	
			State & Local	Federal
Direct	\$46,945,011	633	\$1,484,873	\$6,477,858
Indirect	\$14,334,254	90	\$441,622	\$1,355,728
Induced	\$27,808,770	195	\$1,094,364	\$2,444,005
Total	\$89,088,035	918	\$3,020,859	\$10,277,591
			\$13,298,450	

*Calculated by Capital Link using IMPLAN 2015 Online. Direct impacts result from health center expenditures associated with operations, new facilities, and hiring. Community impacts can be indirect, resulting from purchases of local goods and services, and jobs in other industries. Induced impacts can result from purchases of local goods and services at a household level made by employees of the health center and suppliers.

Stimulated by FHCS D’s 2016 Operations

	Economic Impact	Employment (# of FTEs)	Tax Impact	
			State & Local	Federal
Direct	\$66,502,598	792	\$2,103,481	\$9,176,574
Indirect	\$20,305,994	128	\$625,604	\$1,920,533
Induced	\$39,394,078	277	\$1,550,283	\$3,462,193
Total	\$126,202,670	1,196	\$4,279,368	\$14,559,300
			\$18,838,668	

Due to a nearly \$20 million increase in operating expenses over this period (driven in part by the addition of 159 FTEs), FHCS D’s economic impact in the San Diego area increased over \$37 million with an additional incremental tax impact of over \$5.5 million. This in turn suggests an almost 2:1 return to the San Diego economy for every dollar spent in capital expenditures by FHCS D to improve and expand primary care services.

Additional Impact

In-house design and construction expertise

FHCS D’s growth in the greater San Diego market has been consistent enough in the last decade to warrant the center hiring an in-house design and project management team tasked with performing many of the planning functions that a smaller center would typically contract out to a third-party architect or project manager. FHCS D has pursued this strategy because:

- The volume of projects is large and consistent enough to justify it. A recent project tracking report showed that 37 projects are underway, varying from the \$5.9 million Family Counseling Center 2 new building construction to \$50,000 in clinic fire protection upgrades.
- Centralized project coordination functions ensure that successful layouts and proven programmatic designs are consistently employed in new projects and renovations.
- The center saves money by bringing these capabilities in-house.
- The center is financially strong enough that it does not need to delay project planning while it conducts a capital campaign or generates cash flow to reduce existing debt. For other centers that have more intermittent capital projects, it may not be feasible to bring many of these construction and project planning functions in-house due to financial constraints.

Job training facility

Additionally, FHCS D has further impacted the community by creating a facility designed specifically to recruit and train local residents of the neighborhoods it serves to fill positions within the organization. Health care is a growing field but many of the positions required to successfully implement a broad community health plan are not specifically medical in nature; they include community outreach workers, call center operators, and information technology specialists among others. Over 1,000 participants have attended training sessions at FHCS D's training facility, located at the Health Information Technology Education and Career (HITEC) center in Oak Park, since it opened in 2015. The benefit of the training program to the City of San Diego extends beyond FHCS D as the skills learned by participants can be used at other health care organizations.



Oak Park Family Health Center

Conclusion

Health centers are expanding and growing along with the definition of what represents comprehensive and fully-integrated primary care. FHCS D's investment in facility and operational expansion and improvements over the past four decades, and the most recent three years in particular, reflect that evolution. The center's steady growth has made a tremendous impact on the health and wellbeing of the residents of the city's Downtown Market Area and San Diego County as a whole. Not only has FHCS D improved access to care, but it has also stimulated the local economy and created a significant number of jobs. FHCS D's ongoing capital development strategy represents the future for many health centers across the country as they mature and take on the role of being a primary care provider for a higher percentage of their total service area populations. Consistent and continual growth also justifies the center's investment in its project management department and a training facility that will improve the skill set and employability of many local residents. FHCS D's future plans include further expansion of its behavioral health programs and possibly the opening of its first Program of All-Inclusive Care for the Elderly (PACE) facility. If the changes at FHCS D over the last decade are proof of anything, it is that FHCS D ten years from now will be an even larger and more diversified organization that plays an even more significant role in the economy of the San Diego area.

Acknowledgement

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