

# Session Starting Shortly

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# Health Centers' Experiences Utilizing the HRSA Loan Guarantee Program

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*Consultant*

June 30, 2021

## **Brandon Boyle; Director of Loan Programs; Capital Fund**

- Topic: Value of HRSA Loan Guarantee to Lenders

## **Brian Coyle; Controller; Neighborhood Health Centers of Lehigh Valley – PA**

- Topic: 2 renovation & expansion projects including a HRSA Loan Guarantee as part of the funding structure

## **Chad Stevens, CFO; Grace Health – KY**

- Topic: 2 new facility construction/renovation projects including HRSA Loan Guarantees one of which includes NMTC leveraging and Upper Tier Source Loan guarantee

The logo features a dark blue house-like shape with a gabled roof and a vertical bar on the left side. The text 'COMMUNITY HEALTH CENTER' is written in white, stacked vertically within the dark blue area.

COMMUNITY  
HEALTH  
CENTER

The logo features an orange house-like shape with a gabled roof. The text 'CAPITAL FUND' is written across the shape, with 'CAPITAL' in dark blue and 'FUND' in white.

CAPITAL FUND

# When FQHCs Need a Guarantee



- Lender is not familiar with FQHCs
- Conservative lender
- Collateral weakness – location or leased site
- Minimal equity investment in project
- Historically can't afford new loan
- Financial performance weakness

- As the lending affiliate of Capital Link, Inc., Community Health Center Capital Fund (Capital Fund) assists Federally-Qualified Health Centers and similar organizations by:
- Providing direct loans for facility and equipment projects
- Providing NMTC financing for eligible health center projects
- Developing and/or managing loan programs for health centers
- Providing underwriting services for others; and
- Participating in health center-controlled LLCs as necessary for tax credit transactions
- Capital Fund seeks to leverage its loans and programs through relationships with multiple other sources of capital, which together can meet the capital financing needs of health centers.

# Contact Us



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Brandon Boyle

Director of Loan Programs

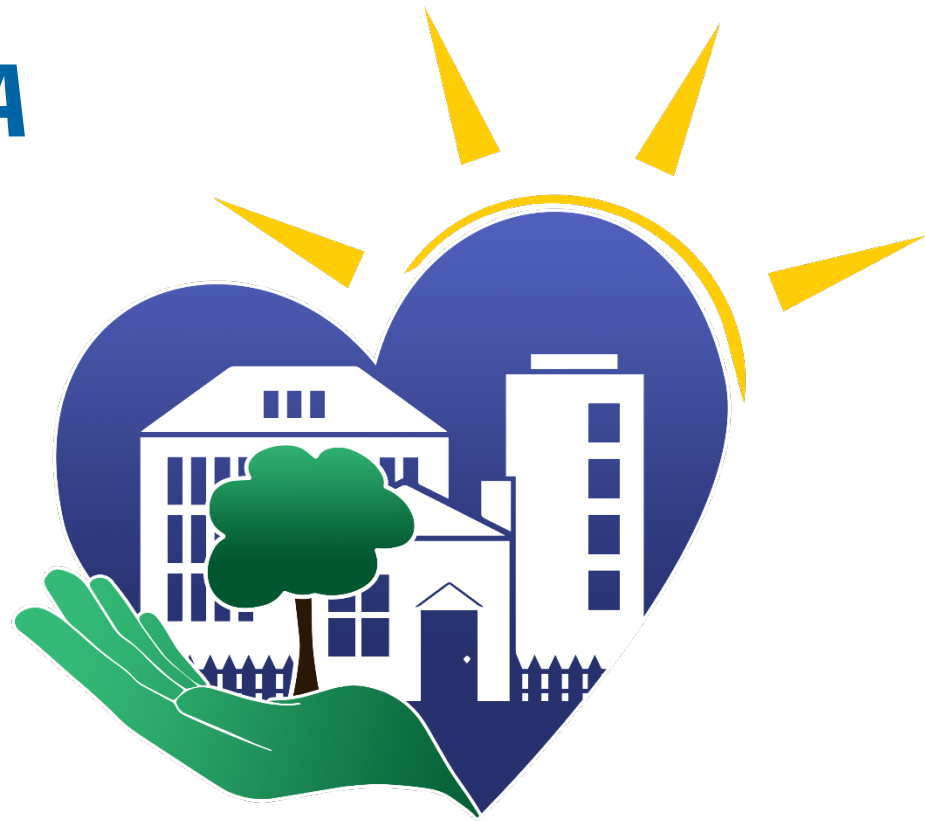
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# ***NEIGHBORHOOD HEALTH CENTERS OF THE LEHIGH VALLEY, PA***





# About Neighborhood Health Centers of the Lehigh Valley



When Neighborhood Health Centers of the Lehigh Valley (NHCLV) was incorporated as a nonprofit organization in 2004, its goals were to provide a coordinated system of primary care for the uninsured and/or underinsured residents in the Lehigh Valley, PA.

# About Neighborhood Health Centers of the Lehigh Valley



- The first and only Federally Qualified Health Center (FQHC) in the area, NHCLV operates four locations in:
  - Allentown,
  - Bethlehem, and
  - Easton, PA
- Awarded 330 program funding in 2012, NHCLV serves the majority of the area's low-income population.
- NHCLV offers a wide range of medical care including pediatrics, dental care and behavioral health services.

# About Neighborhood Health Centers of the Lehigh Valley



- According to recent data of NHCLV's patients who reported their incomes:
  - 67% were at 100% below the federal poverty line,
  - 28% were between 101-200%, and
  - 5% were over 200% below
- Two-thirds of the health center's patients are minorities, with 57% identifying as Latino/Hispanic.

# About Neighborhood Health Centers of the Lehigh Valley



- Alternative access to care within the Lehigh Valley is limited, with the exception of the care offered by two large hospitals in this area.
- Health disparities in the service area include low birth weight, teen pregnancies, heart disease, cancer, suicide, and diabetes.
- In recent years, the area has seen a growth in Medicare and Medicaid-eligible individuals and more people living under 200 percent of the federal poverty limits.

To better meet the expanding needs of the communities it serves, NHCLV has embarked on two capital projects to expand current stand-alone sites in Allentown and Bethlehem, PA.



*The current NHCLV Allentown site, before the renovation project.*

# Bethlehem

This project will renovate and expand a 10,000-square-foot vacant factory building into a 23,000-square-foot clinic site. Services at this location will include physical exams, preventative screening and vaccines, STD testing and treatment, care coordination, mental health counseling, psychiatry, pharmacy, dental clinic, and group health classes.

This site will also include 10 additional medical exam/consultation rooms, two behavioral health offices, one group visit room/consult room suite, one triage room, a larger dental suite than at the health center's Hamilton, PA location, and offices for case management, care management, billing, administration, and other support services for the staff.



- Funding for this \$4 million project was provided by Capital Link affiliate Community Health Center Capital Fund (Capital Fund), which committed to a loan of \$1,170,000, as well as
- Community First Fund, which committed to a loan of \$955,000, and a
- HRSA Grant of \$1,100,000 and an
- NHCLV cash equity contribution of \$775,000.
- Capital Fund is seeking a Loan Guarantee from HRSA for the total amount of the combined loans by the two lenders of \$2.125 million.



## Sources of Project Funds

Capital Fund Loan	\$1.17M
Community First Fund Loan	\$955K
HRSA Grant	\$1.1M
NHCLV Cash Equity Contribution	\$775K
<b>Total</b>	<b>\$4M</b>

## Uses of Project Funds

Construction	\$2.3M
Soft Costs	\$906K
Furniture, Fixtures and Equipment	\$592K
Contingency	\$202K
<b>Total</b>	<b>\$4M</b>

# Allentown

For its Allentown, PA renovation, NHCLV will renovate and expand the first floor of an existing 14,200-square-foot retail space into a health center site.

The construction will add 15 medical exam/ consulting rooms and three behavioral health offices, along with two procedure rooms, one group education room, two triage rooms, a larger pharmacy, a dental suite and offices for case management, care management, a call center, and support services for the health center staff.



- When completed and fully operational, this project will expand services and increase its volume of care.
- The number of patients annually is projected to increase by 5,900 from FY2019 to nearly 11,000 in FY2023.
- Number of visits is projected to increase to 36,000 in FY2023, from 24,000 in FY2019.
- Total clinical space is projected to increase to 50,000 square feet from 24,000 square feet (cumulative for both existing sites) and
- The number of full-time equivalent employees (FTEs) is expected to increase to 120 FTEs upon stabilization from 78 FTE in FY2019.

# Impact

	<b>FY 2020 Pre-Project</b>	<b>FY 2023 Projected</b>
Number of Patients Served	5,887	10,562
Number of Patient Visits	23,997	35,754
Permanent Direct Employment	78	120

- Application process with Community First Fund
  - Uploaded docs to portal
    - Current financials
    - Projections
    - Project Descriptions
- Application process with Capital Fund.
- Project site visit by Community First and Capital Fund
- Received Lender commitment letter
- HRSA Loan Guarantee application process.
- PCDC review of application for HRSA.
  - NHCLV Senior Leadership meeting with William O'Brien at PCDC.
  - NHCLV BOD meeting with William O'Brien at PCDC.
  - PCDC recommendation to HRSA
- HRSA Commitment letter.
- Attorney review of loan documents.
- Loan set to close in next few weeks.

- Overall, the process went as expected. Mary Lou Ojeda was very proactive and responsive to our needs and questions. She reached out to us as soon as she was aware of our need to apply for the guarantee and supplied us with a list of all the items needed for the application.
- The process took longer than we hoped for but the delays in process were really on our end. We had some unique issues to our agency to work through.
- The only suggestion I would have to other FQHCs would be to attend the webinars conducted by Capital Link. They were extremely informative on what to expect and what information will be requested.

- The experience with the PCDC was a very positive one. We worked with William O'Brien through this process and it went very smoothly.
- He met with the Senior Leadership Team and Board of Directors separately. He supplied a list of questions ahead of time for each group, which allowed everyone to come prepared to the meetings.
- See next slides for the questions he asked during the meetings.

- Discuss how Covid-19 has impacted organization to date?
- Describe the process for deciding to expand/relocate sites. Why are both projects being done simultaneously?
- Both projects: any updated modifications due to Covid-19?
- Both projects: what is the expected net increase in patient/visits? Reference is made to current Bethlehem site serving 83 out of 32,000 LIP in city. Target goal?
- Allentown: services described include physical exams, care management for patients with chronic illness, birth control, pregnancy tests and prenatal care, preventive screening & vaccines, STD testing & treatment, care coordination, mental health counseling, psychiatry, pharmacy, dental clinic and group health classes. Are any services new?
- Bethlehem: Dental services is unclear: dental services are referenced as a “Phase 2” project; are they being supported by this financing?



# NHCLV Executive Management Questions



- Referenced: NHCLV will gain an additional 25 integrated medical/behavioral health exam/consult room, five dedicated behavioral health rooms, two group visit rooms, two procedure rooms, eight dental bays, two pharmacies and care management, case management offices. Is this through both sites or just Bethlehem?
- Hamilton site: referenced an existing daycare facility adjacent to site. Does the site present any opportunity or obstacle to center?
- Both sites: What dental services will be provided, if any? Reference is made to dental services being offered through a van from local hospital. Is dental offered at Bethlehem site?
- Will substance abuse treatment be offered at either/both sites?
- Please discuss the Controller position v. CFO: is there a contract CFO or is Controller most senior financial staff member? How are financial systems evaluated? How are financial constraints/projections incorporated into growth plans at Executive level?

- How has COVID-19 impacted the region and the health center?
- What are the key healthcare priorities of NHCLV and what are chief obstacles?
- How does this project address both?
- Market need: NHCLV serves 83 of 32,000 LIP in Bethlehem: does this project address this? Is it enough?
- What was the process for deciding to expand/relocate the two sites?
- Was there discussion about commencing two projects simultaneously?
- Discuss role of Controller v. CFO: how are financial priorities and controls monitored? How are financial priorities incorporated into long-term plans?

# NHCLV Board Questions



- How would you describe the organization's financial performance? What changes made? Has the current growth strategy changed due to either historical performance or Covid-19?
- Are all Board members community representatives?
- Is the Board familiar with the anticipated growth reflected in the projections? Were there discussions about visit growth and expense management?
- Several Board members' terms set to expire in 2021; what are renewing/replacing members? Any plans to expand Board representation?
- Finance committee consists of 3 people: what are backgrounds of other members (besides Chair)?
- Project costs have increased 17% to \$4MM. Any Board discussion about appropriate level of expenses for leased space?





## Targets (3-5 years)

- 1. Organization Culture**  
Patients First
- 2. Invest in People**  
Start and Implement Grace "U"
- 3. Open New Locations**  
South Laurel Clinic  
Medical Campus  
Barbourville Clinic  
North Whitley Clinic
- 4. Start New Programs**  
Restorative Dentistry  
Optometry
- 5. Strengthen Private Insurance & Other 3rd Party Payer Contracts**

## Needs Assessment

### BARRIERS

- Income & poverty levels
- Lack of public transportation
- Low educational attainment / health literacy

### ACCESS TO CARE

- Services for vulnerable populations in the service area: Primary Care (Family Practice, Internal Medicine, Women's Care, Pediatric), Mental Health & Substance Abuse, Dental

### SERVICE AREA

Counties: Bell, Clay, Knox, Laurel, Leslie, & Whitley

### ECONOMIC

- Poverty rate: 33.7% is double the state and national avg
- Child poverty rate: 44.6% is more than double the state and national avg
- More than 50% of the population is NOT in the workforce

### DEMOGRAPHIC

- The median age is 39.7
- 18.1% of population is school-aged children
- 15.45% of population is 65 yo+

### HEALTH DISPARITIES

Diabetes, Cardiovascular disease, cancer, mental health, substance abuse, oral health, maternal health, high infant mortality rates, high adult smoking rates, including during pregnancy, obesity, health literacy/education

### Pillars to Success

- ACCESS** - Improve Access to quality health care and services
- QUALITY** - Quality yields continuous performance improvement and financial sustainability
- PEOPLE** - Attract, engage, develop, and retain the best People
- COMMUNITY** - Meet Community needs

## Strategic Goals

**1** Regional primary health care provider of choice

**2** Expand and enhance clinic programs and services

**3** Strengthen and transform financial position and sustainability

**4** Advancement of Community Board of Directors

## Core Values

EXCELLING

Maintaining the highest standards and achieve them by continually measuring and improving our outcomes through integrity and teamwork.

SERVING

Exceeding our patients' and/or fellow caregivers expectations for comfort and convenience

REACHING

Welcome change, encourage innovation, and continually seek better, more efficient ways to achieve our goals

HEALING

Demonstrate our commitment to world-class care by providing a caring supportive environment for our patients, patients' families, and fellow caregivers

- Family Practice
- Internal Medicine
- Women's Care
- OB/GYN & MAT Program
- Pediatrics
- Behavioral Health
  - Vivitrol Program
- School Based Health
- School Based Dental
- 340b Drug Discount Program
- Pharmacy
- Telehealth Program
- Hospital Coverage
- Nursing Home Coverage
- Laboratory
- X-ray
- Outreach & Education
- Transportation Agreement
- Grace Health University

- 10 Clinic Sites with Board approval of 11<sup>th</sup> site
- 34 School Based Clinic Sites
- 301 Employees
- 31,527 Unduplicated Patients
- 6 County Service Area





## Grace Service Area:

- Clay County
- Knox County
- Leslie County
- Whitley County
- Bell County
- Laurel County

# Grace Health Patient Visits



2013 served	22,156
2014 served	29,203
2015 served	56,387
2016 served	85,234
2017 served	113,010
2018 served	121,352
2019 served	125,735
2020 served	115,549 (pandemic)
2021 projected	116,229 (pandemic)

- Successfully applied and obtained two HRSA Loan Guarantees on two different capital projects (both under the new program application)
  - Grace Health Women's Care Facility Alteration/Renovation Project
    - Total Project ~\$3 Million (HRSA Loan Guarantee on \$1,725,000)
  - Grace Health Medical Campus Facility Alteration/Renovation Project
    - Total Project ~\$29 Million (HRSA Loan Guarantee on \$13,000,000)
    - Project included New Market Tax Credit (NMTC) Program Subsidization/Leveraging
      - HRSA Approved the loan guarantee of \$13 Million on an UPPER TIER SOURCE LOAN that was leveraged by NMTC's
        - **Great Opportunity to have a NMTC source loan guaranteed by HRSA**

# GraceHealth

WOMEN'S CARE



# Grace Health Women's Care Alteration/Renovation Project



- Total Project ~\$3 Million (HRSA Loan Guarantee on \$1,725,000)
  - 19,000 sq. ft. (from ~9,000 sq. ft.)
  - Abundant level parking
  - 26 dedicated exam rooms + 2 dedicated procedure rooms
  - 3 dedicated Ultrasound rooms, (GE Volusons: 1-E8, 2-E6, 2-P8)
  - Services Added On-Site
    - Fetal Non-Stress Test (dedicated room with 2 Stations)
    - Behavioral Health (dedicated counseling rooms)
    - Medically Assisted Treatment (MAT) Program
  - Over 1,000 deliveries for the 2<sup>nd</sup> consecutive year and the only time in this market's history. Even during a pandemic, the number of Grace Health Women's Care patient visits exceeded the budget in 2020. This was all done with 4 OB/GYN Physician providers and 3.25 APC's.
  - New Facility Helped Recruitment Efforts (recently added 2 OBGYN's)

# Grace Health Women's Care Alteration/Renovation Project

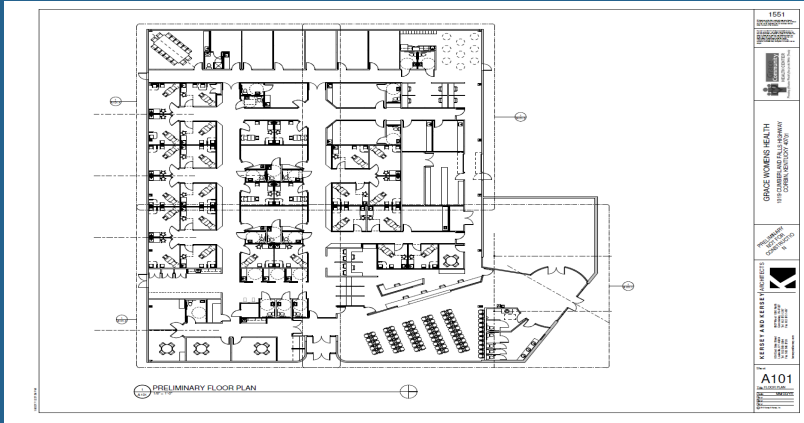


- Closing Process Experience
  - 80% HRSA Loan Guarantee provided better interest rates and longer terms
  - Leased Space (Leasehold Improvements)
    - Leasehold Mortgage (Recommendation: discuss with landlord)
  - Collateral Considerations
    - Collateralizing existing facilities built with Federal Funds
      - Recommendation: Removal of Notice of Federal Interest (NFI) in EHB ASAP
  - Match HRSA LGP Audit Reporting Requirement to CHC's Financial Audit Timeline
- HRSA LGP Application & Approval (5-7 Months)
  - Find a Lender/Financing Partner (Lender's Commitment Letter)
  - Comparable to Capital Project Grant Applications
    - Recommendation: Grant Team and/or Consultants
  - Create a Business Plan-Tell your CHC's Story and Vision
  - Financial Projections-CHC Summary and Project Facility Broken Out
    - Be prepared to support any assumptions made in projections

# Grace Health Women's Care Alteration/Renovation Project



- HRSA Third Party (PCDC) Due Diligence
  - Application Questions will be provided by PCDC for preparation of a site visit, where they meet with Lender and Senior Management (including Board of Directors-not all have to participate)
  - Make sure your Lender is prepared to qualify the loan and provide monitoring/reporting requirements
    - Loan to Value (LTV) Analysis and Covenants are very important to HRSA
  - From our Application Questions, prepare to discuss the following;
    - Senior Management changes (past, present, and future)
    - Projections and assumptions in detail
      - Recommendations:
        - **Provide a general cash flow statement**
        - **The more detail in the assumptions the better**
        - **Utilize source data i.e. UDS, FQHC Surveys, MGMA, etc.**
    - Provider recruitment (past, present, and future)
    - 340B Program, if applicable
      - Federal and State





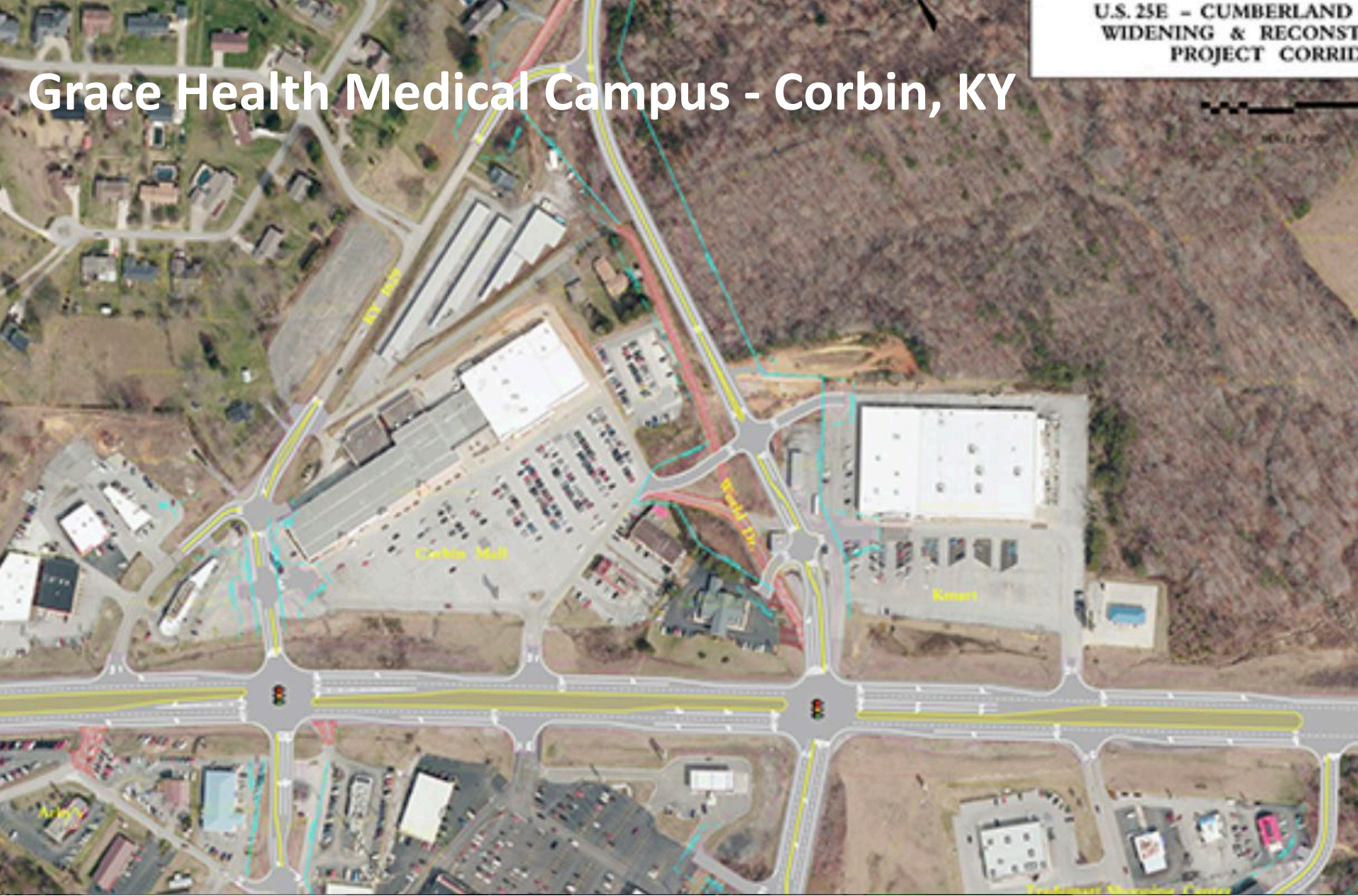


## Grace Health Medical Campus - Corbin, KY



# Grace Health Medical Campus - Corbin, KY

# Grace Health Medical Campus - Corbin, KY



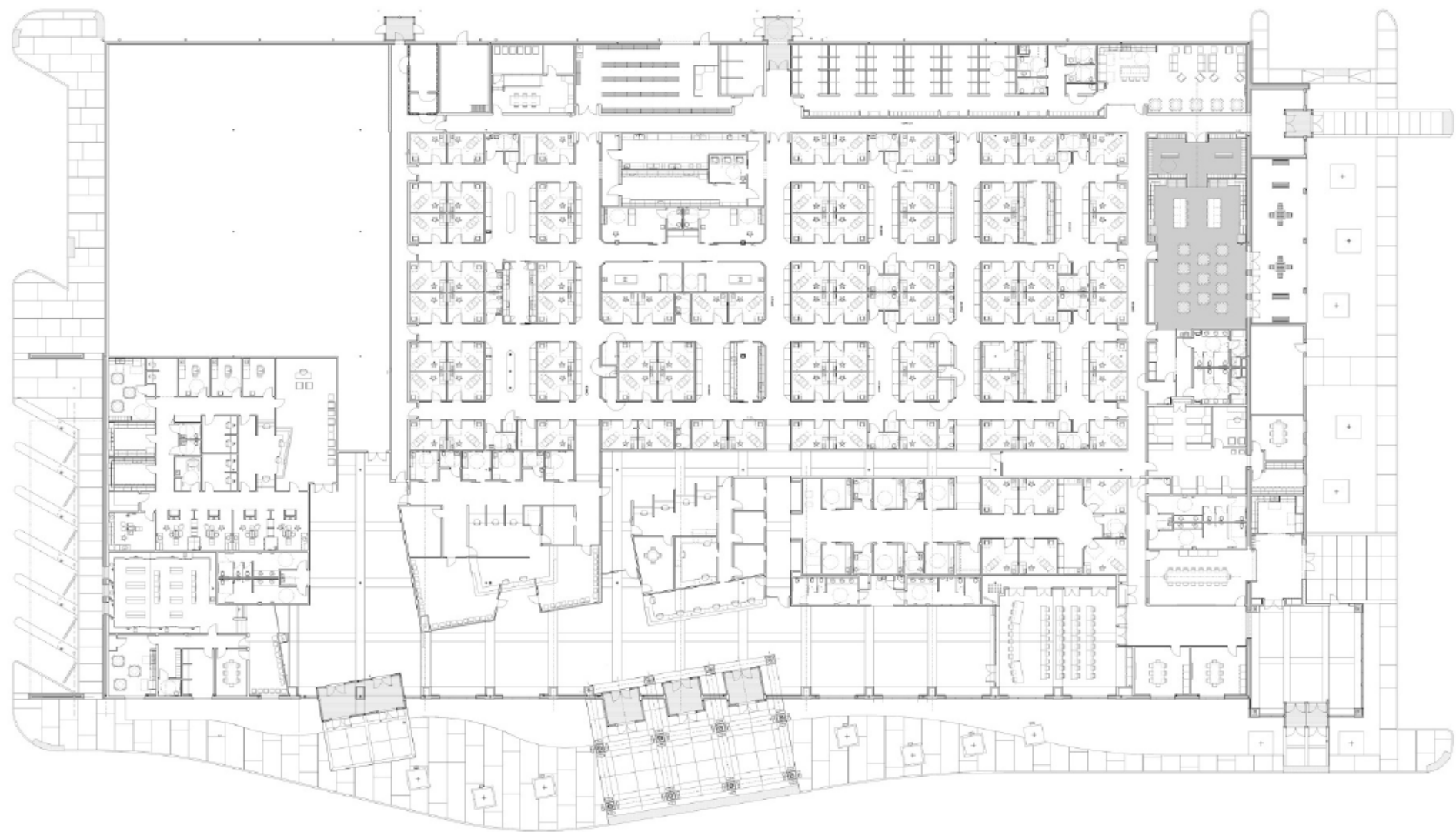
- Total Project Budget ~\$29 Million (HRSA Loan Guarantee on \$13,000,000)
  - HRSA Approved the loan guarantee of \$13 Million on an UPPER TIER SOURCE LOAN that was leveraged by NMTC's
    - 4 Local Clinic Locations Combined to 1 Medical Campus
    - ~88,000 sq. ft. (~2 acres under roof)
    - Total of 10 acres
    - 350 parking spaces
    - 30,000 AADT (2007)
    - full range of health care services to include family and internal medicine, pediatrics, behavioral health, dental, optometry, case management, a full-service pharmacy (with a 340B discount program), laboratory and x-ray services, as well as outreach and health education.
    - ~75,000 Patient Visits in 3-5 Year Projections

## Closing Process Experience

- NMTC Transaction Related Collateral Considerations
  - In order to facilitate the NMTC financing, the health center (the project Sponsor) will establish an affiliated 501c3 Qualified Active Low-Income Community Businesses (QALICB), which will own and complete the project, and the health center will transfer and assign all of its rights to the QALICB. Health Center will enter into a ground lease with the QALICB, with the QALICB as the landlord. Health Center will operate the subject property.
  - The loan shall be secured by the following, in addition to such other security required by the Bank in its discretion and in compliance with the NMTC financing: A leasehold mortgage on the Master Lease between the Health Center and the QALICB and a collateral assignment of any potential sub-leases entered into by the Health Center. This shall be a first priority leasehold mortgage lien, together with an assignment of rents, leases and profits arising therefrom, subject only to such easements and restrictions as are approved by the Bank prior to closing.

- Collateral Assignment of Health Center’s interest in the Leverage Loan, subject to necessary forbearances required by the NMTC financing structure. The Leverage Loan will be secured by a pledge of the membership interests of the Sub-CDE(s) held by the Investment Fund, which would be 99.99% of each Sub-CDE. Each Sub-CDE’s principal asset will be in the “QLICI Loans” made by each Sub-CDE to the QALICB. The QLICI Loans (and thus indirectly the Leverage Loan) will likely be secured by a Leasehold Mortgage (Ground Lease) of the QALICB, an Assignment of Rents and Leases and a blanket lien on the remaining assets of the QALICB.
  - Other Collateral Considerations
    - Collateralizing existing facilities built with Federal Funds
      - Recommendation: Removal of Notice of Federal Interest (NFI) in EHB
    - FF&E utilized to furnish the facility
  - HRSA LGP Application & Approval (3-4 Months)
    - Recommendations:
      - Research/review HRSA LGP pre-application
      - Address the EID Checklist and all Environmental requirements early in the application process

- HRSA Third Party (PCDC) Due Diligence
  - From our Application Questions, prepare to discuss the following;
    - Senior Management changes (past, present, and future)
    - Projections and assumptions in detail
      - Cash flows
      - Existing debt service
    - Provider recruitment (past, present, and future)
    - Employee recruitment/retention (past, present, and future)
    - COVID Response & Recent Awarded Federal Funding
    - PPP Loan Status, if applicable
    - 340B Program, if applicable
    - Project Details
      - Experience of Owner Representatives, Architect, Contractor
      - Project Budget/Plan & Cost Review
      - Permitting
      - FF&E
    - BOD's questions regarding role and main concerns regarding the project









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