

HRSA Loan Guarantee Program

*Capital Link's 2023 Learning Collaborative
Intro*

Feb 14, 2023

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Project Consultant



www.caplink.org

Agenda



What is a
Learning
Collaborative



Participation
& Preparing



LGP Health
Center
Benefits



Planning &
Next Steps



Capital Link Overview



Plan for health center sustainability and growth



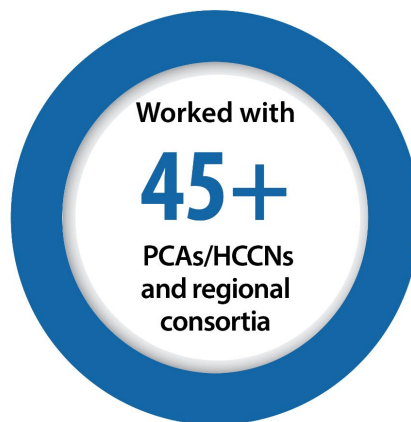
Help health centers access capital



Improve and optimize health center operations and financial management



Articulate health center value



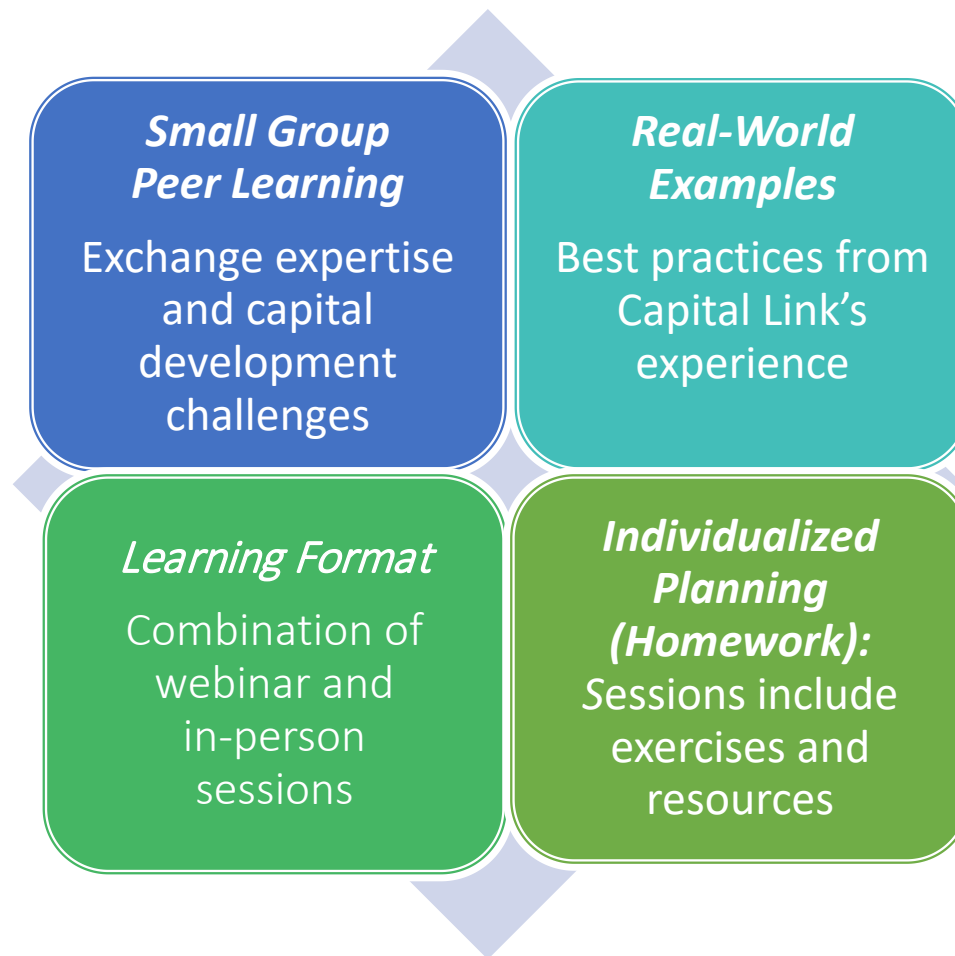
ASSISTED **2/3^{rds}** OF HEALTH CENTERS NATIONALLY

LEVERAGED **\$1.25 billion**

FOR **235+** HEALTH CENTER PROJECTS

TOTALING OVER **\$1.5 billion**

What is a Learning Collaborative?

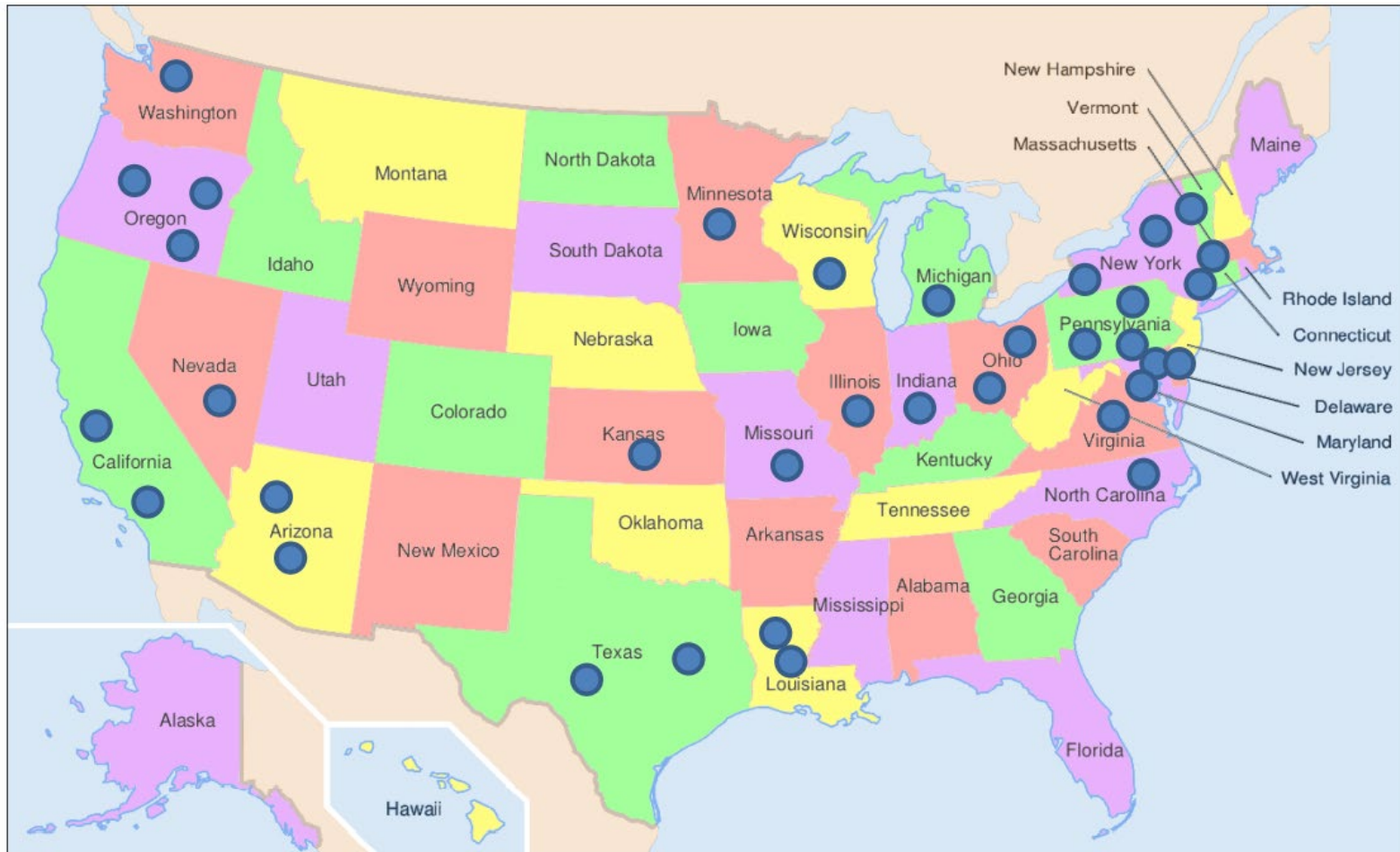


What is a Learning Collaborative?

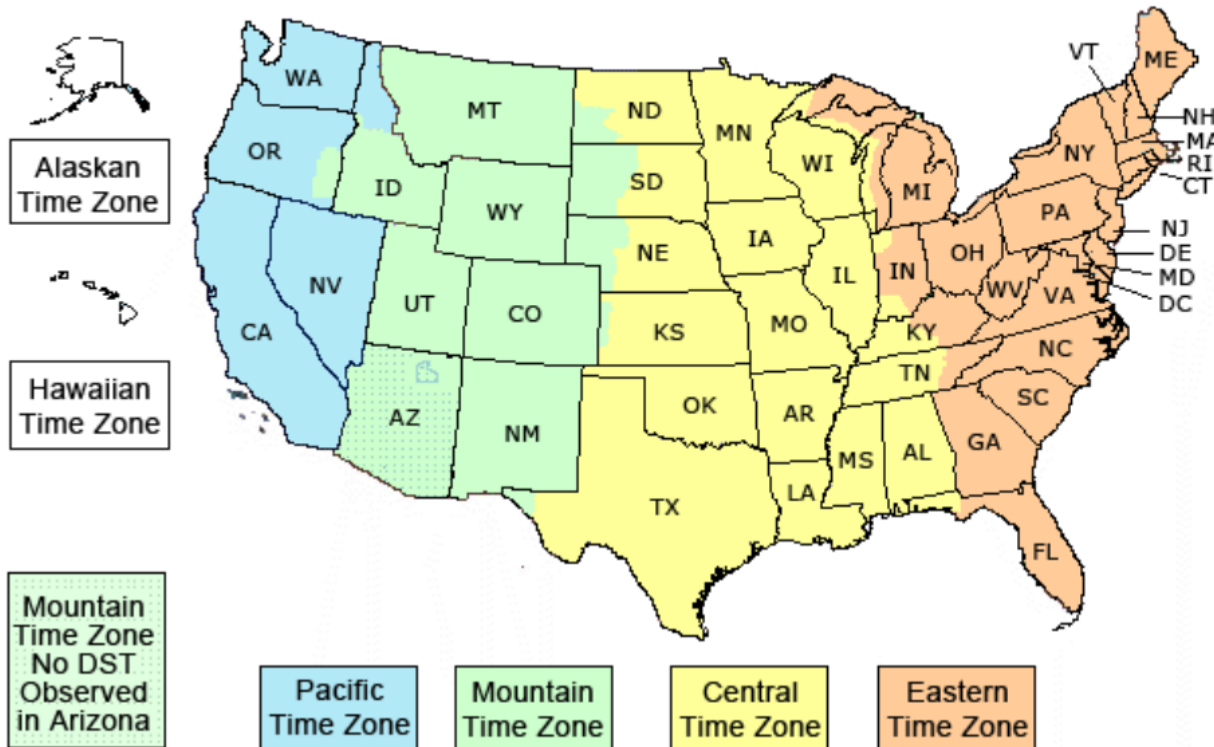


- For health centers **planning or anticipating a capital project** in next **one to three years**
- **No cost** to participants
- Four interactive learning sessions that will provide guidance and insights on applying for a HRSA Loan Guarantee
- Approximately 45-minute learning sessions **between February and April 2023** conducted via webinars.
- One-on-One support available

2022 Past Participants




Where is Your Organization Located?



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- Eastern/Atlantic
- Central
- Mountain
- Pacific
- Hawaii or Alaska

Planned Sessions & Topics



01	HRSA LOAN GUARANTEE PROGRAM 60 Min	• APPLICATION PROCESS
02	ASSURING A SOLID FOUNDATION 60 Min.	• PLANNING PRINCIPLES FOR FACILITY DEVELOPMENT
03	PROGRAMS TO MATCH WITH A HRSA LGP 60 Min.	• BUSINESS PLAN, PROJECTIONS, & FUNDING SOURCES TO MATCH WITH A HRSA LGP
04	MARKET ASSESSMENT FOR FACILITY DEVELOPMENT 60 Min.	• Market Assessment in Preparation for Pursuing Funding and a HRSA Lgp

Poll: Where Are You In Your Capital Project Planning Process?

- Starting to consider a potential project
- A project has been decided but no timeline is in place
- Early planning; 2-5 yr. timeline
- Planning underway; construction in 1-2 years



Key Dates

Intro: Today

- Introduction to the Learning Collaborative

Application Deadline

- **Friday February 24th**

Session 1: Feb 28

- HRSA Loan Guarantee Program Application Process

Key Dates

Session 2: March 28

- Assuring a Solid Foundation: Planning Principles for Facility Development

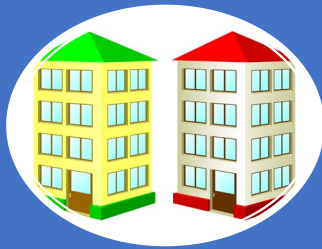
Session 3: April 4

- Business Plan, Projections, & Funding Sources to Match with A HRSA Loan Guarantee

Session 4: April 18

- Market Assessment for Preparation in Pursuing a HRSA Loan Guarantee

Who Should Participate?



Health centers
expanding/
renovating in 1-5
years



Cohort Size:
10-20
Health Centers



Health Center
Staff: Executive,
Financial,
Planning



Prepare Your Application



Submit application by 2//23

Assemble a Learning Collaborative Team

Next Steps

Organize your project information

Provide two years of financial audits/UDS reports

[Capital Link - HRSA Loan Guarantee Program Learning Collaborative \(caplink.org\)](https://www.caplink.org)

HRSA Loan Guarantee Program



- Originally authorized by Congress the HRSA LGP offers loan guarantees for the **construction, renovation, and modernization of medical facilities** operated by Section-330-funded health centers.
- The guarantee can cover up to 80% of the principal and accrued interest on loans made by non-federal lenders. No limit on loan size—loans for projects of \$5-7 million or more have been typical
- Congress appropriated *new funds* for the program in 2018, enabling HRSA to update and modernize the LGP to provide guarantees for almost \$900 million in new loans to health centers.



- Enhance a health center's credit profile, reducing a lender's risk, allowing them to lend to health centers under more favorable terms than otherwise possible.
- For some centers, this might mean the difference between getting a "yes" vs. "no" from a lender
- For others, the guarantee may allow the lender to offer a lower interest rate, a longer fixed-rate term, a higher loan-to-value ratio and/or the lender might accept less collateral



Reasons You May Need a HRSA Loan Guarantee



Reasons You May Need a HRSA Loan Guarantee



- Financial Fluctuations
- Ability to repay a loan is dependent upon a higher level of provider productivity than previously achieved
- Located in a rural area where it is more difficult to recruit and retain providers, and loan is predicated on ability to increase providers
- Large Project Scale
- Appraised value of project is likely to be less than cost to build
- Weak/Fluctuating economic conditions make lenders leery of lending in “risky sectors”

Preparation to Submit a HRSA Loan Guarantee Application



- Pre-Application Consultation with HRSA LGP Staff AFTER site control and you have at least a *BASIC PLAN* for your project
- Ideally AFTER lender has reviewed loan guarantee agreement docs
- These steps are not required but strongly recommended

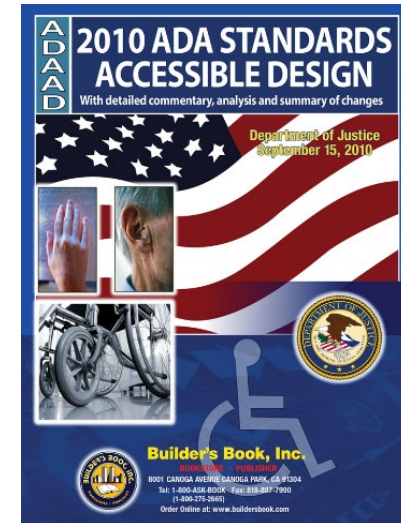


- **Market Assessment** - A clear understanding of the market you wish to serve.
- **Strategy Development** - An overarching strategy to meet the market's needs.
- **Project Planning** - A detailed and specific plan for your project.
- **Financial Planning** - A detailed outline of costs and financial projections.
- **Project Team Development** - An experienced team of internal and external experts.
- **BUSINESS PLAN** - *REQUIRED.*
- **Lender's legal has reviewed HRSA LGP guarantee agreement docs in advance**

- If HRSA determines, it may be required to provide a NEPA Environmental Assessment Report with the LGP application. This report is **not the same** as a Phase I Environmental Site Assessment (although your lender will likely require one of these as well).
- NEPA: National Environmental Policy Act
- Phase 1 Environmental Site Assessment investigates past and current property uses impacting the soil or groundwater that could affect human health (example: forgotten buried gasoline storage tank).
- NEPA Environmental Assessment reviews bigger picture surrounding environmental impacts and concerns possibly connected to the project (water, air, wildlife, other potential impacts).

Pre-Application Prep

- LGP application requires projects meet **minimum design standards for accessibility** and;
- Demonstrate to the greatest extent practicable incorporation of appropriate sustainability principles and federal green building requirements.
- *Tell your architect in advance.*



Choosing a Lender

- No Federal Lenders; (FDIC or CDFI = OK)
- No Tax Exempt Bond Authorities
- Due Diligence / Underwriting = Loan Approval = Commitment Letter
- Commitment may be subject to HRSA's Guarantee Approval
- Submission of as-built appraisal for the project required – lender orders



Application Submission & HRSA Review



- Application materials are submitted through the Electronic Handbook link on HRSA's [website](#).
- Lender also submits comprehensive credit analysis and statement describing the value of the HRSA loan guarantee to the applicant and project.
- HRSA performs both an onsite and desk review of the application, generally within 60 days of complete application submission. (Programmatic review, Architectural/Engineering Reasonableness review, & NEPA and Historic Preservation review)

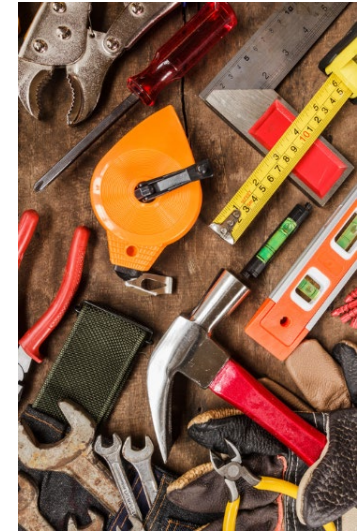
Two Months Approval Timeline



- If the application is approved, HRSA will issue a Loan Guarantee Commitment Letter. Thereafter, the lender coordinates the loan closing.
- HRSA LGP application approval process is expected to take **two months** following submission of completed application

Tools to Help

- [Creating a Business Plan for a Community Health Center Capital Project](#) Resource to assist with writing a business plan:
- [Webinar: Tools and Techniques to Assess Your Health Center's Market and Community Needs](#) Webinar to assist with market assessment :
- [Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers](#) Toolkit to assist with strategy development :
- [Assembling a Capital Project Team](#) Publication to assist with project team creation:
- [Capital Project Work Plan](#) - Helps health centers identify the necessary steps in the capital development process that specifically address their individual capital projects.
- [Checklist: Sustainable Community Health Center Renovations](#) - This checklist consists of no-or low-cost sustainable principles for implementation into health center expansions and renovations, to be used in the earliest stages of project planning.
- [Estimating Capital Project Costs for Health Centers](#) – Outlines the main components of a capital project budget and provides assistance in estimating top-line construction costs, based on the review of approximately 50 community health center capital projects.

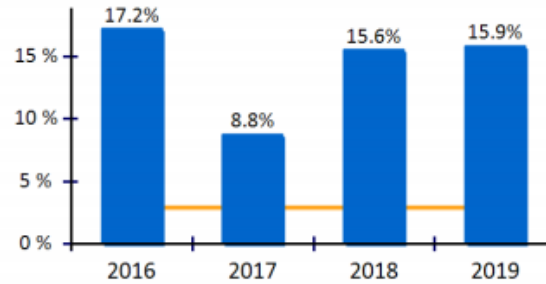


Financial Dashboard

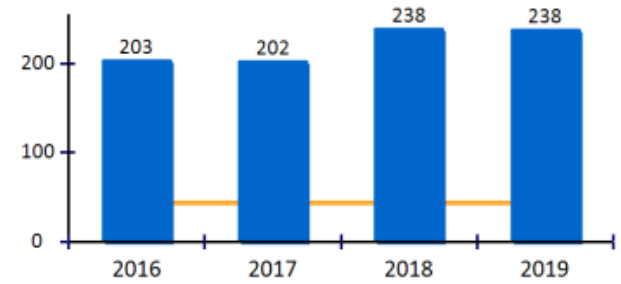
XYZ Health Center
2016 - 2019

— Capital Link Benchmark

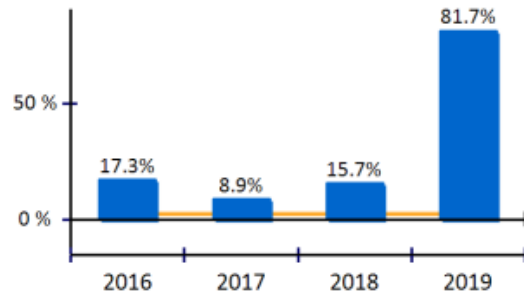
Operating Margin



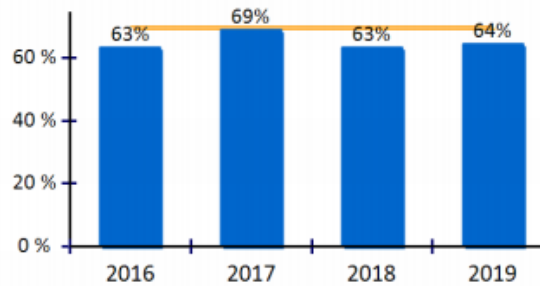
Days Cash on Hand



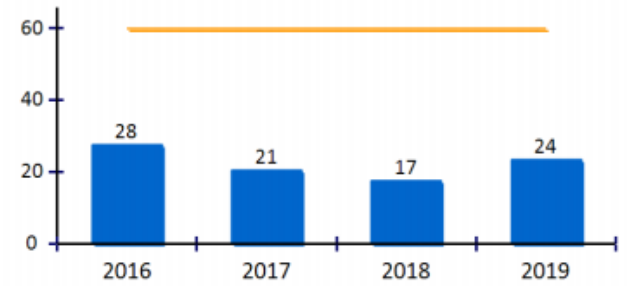
Bottom Line Margin



Personnel-Related Expense as a % of Operating Revenue



Days in Net Patient Receivables



Key Financial Metrics	Target	2016	2017	2018	2019	State FQHCs Median 2019	National FQHCs Median 2019
Operating Margin	> 3%	17.2%	8.8%	15.6%	15.9%	8.7%	2.2%
Bottom Line Margin	> 3%	17.3%	8.9%	15.7%	81.7%	8.6%	3.4%
Personnel-Related Expense as Percentage of Operating Revenue	< 70%	63.3%	68.9%	63.4%	64.4%	64.2%	72.7%
Days Cash on Hand	> 45 Days	203	202	238	238	110	67
Days in Net Patient Receivables	< 60 Days	28	21	17	24	23	38

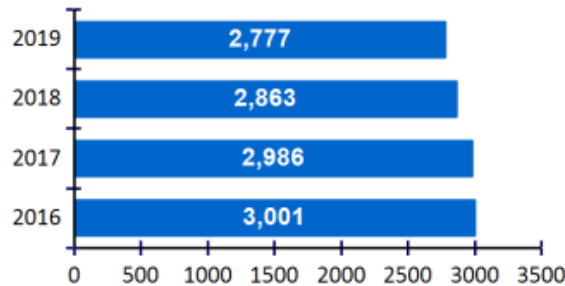
■ Benchmark Unmet

Productivity Dashboard

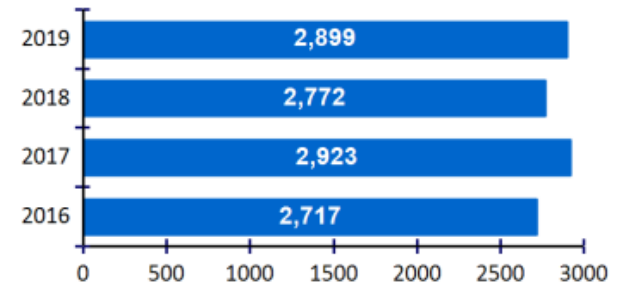
XYZ Health Center

2016 - 2019

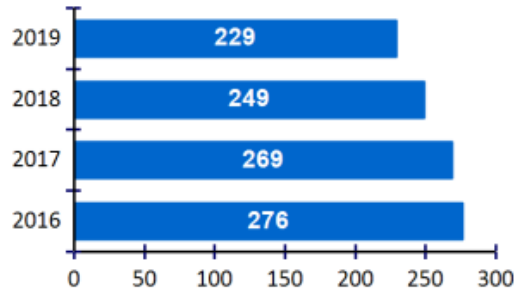
Physician Visits per Physician FTEs



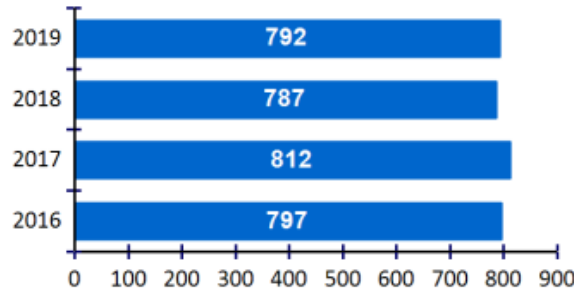
Mid-Level Visits per Mid-Level FTEs



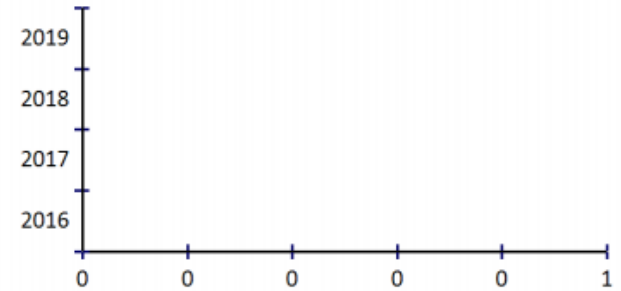
Medical Patients per Medical FTE



Medical Patients per Medical Provider FTEs



Dental Visits per Dental Provider FTEs



Key Productivity Metrics	2016	2017	2018	2019	State FQHCs Median 2019	National FQHCs Median 2019
Physician Visits per Physician FTE	3,001	2,986	2,863	2,777	2,574	2,701
Mid-Level Visits per Mid-Level FTE	2,717	2,923	2,772	2,899	2,193	2,389
Medical Patients per Medical Staff FTE	276	269	249	229	225	288
Medical Patients per Medical Provider FTE	797	812	787	792	742	834
Dental Visits per Dental Provider FTE	-	-	-	-	1,231	1,713

Apply for the Loan Guarantee Learning Collaborative



DEADLINE Friday February 24th
[Capital Link - HRSA Loan Guarantee Program Learning Collaborative](#)
[\(caplink.org\)](#)

- *Creating a Dynamic and Useful Strategic Plan: A Toolkit for Health Centers*
- *Steps to Success: A Toolkit for Health Centers Navigating a Capital Development Venture*
- *Performance Benchmarking Toolkit for Health Centers*
- *Other CL Learning Collaboratives: Capital Projects, Sustaining & Increasing Access to Care in Rural Communities*

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