

Community Health Center Financial Perspectives

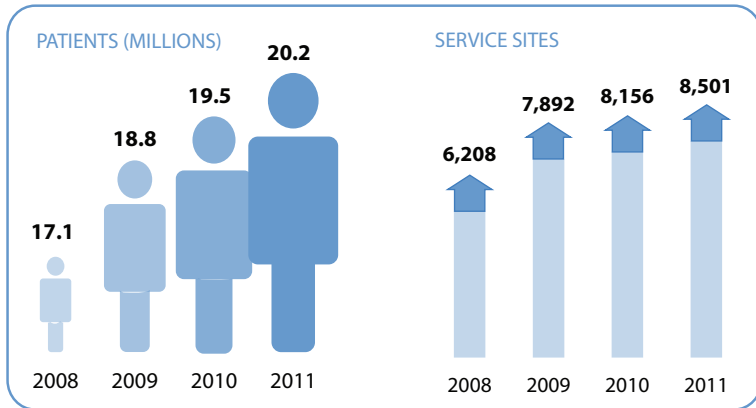
Financial and Operational Ratios and Trends, 2008-2011

This study, developed by Capital Link and Community Health Center Capital Fund (Capital Fund) and sponsored by Citi Foundation, offers lenders a profile of the national financial and operational trends of community health centers from 2008-2011. This infographic illustrates key findings. The complete report, available at www.caplink.org/resources/reports, provides an overview of the health center operating environment, an analysis of revenue sources and expense components, and financial ratios and trends. It was also published as a special report by the Federal Reserve Bank of San Francisco, available at www.frbsf.org/community-development/publications/special/financial-operational-ratios-trends-community-health-centers/.

Key Findings

Rapid Growth Fueled by Recent Federal Investments

FOUR-YEAR GROWTH TRENDS

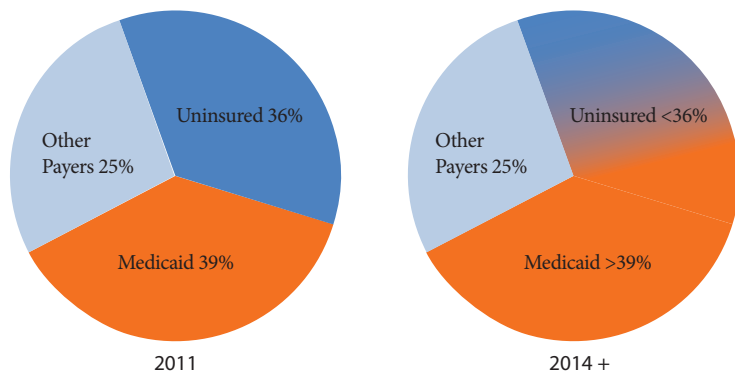


For more than 45 years, health centers have demonstrated their staying power. Most recently, during the prolonged national economic downturn — and despite the ongoing challenge of relatively tight margins and limited cash reserves — the industry has sustained consistent growth. This progress was significantly spurred by federal investments, including the Affordable Care Act (ACA).

Health Centers Are Poised to Grow Significantly with the Implementation of the Affordable Care Act

Health centers are well positioned to play a major role in a post-health reform landscape. Medicaid is the largest source of health insurance for low-income Americans and health centers care for one out of every seven Medicaid beneficiaries. Under the ACA, Medicaid coverage will be expanded to all individuals under 65 years of age with incomes up to 133 percent of the Federal Poverty Level (FPL) guidelines within those states opting for this expanded eligibility. Since Medicaid accounts for more than one-third of all health center revenue, an increase in Medicaid-eligible patients and a decrease in uninsured patients as some become Medicaid-eligible, positions health centers in Medicaid expansion states for further growth.

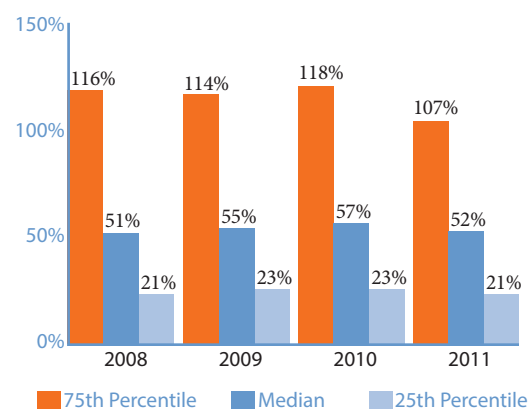
HEALTH CENTER PATIENTS PAYER MIX



Health Centers Have the Capacity to Fuel Growth with Additional Debt

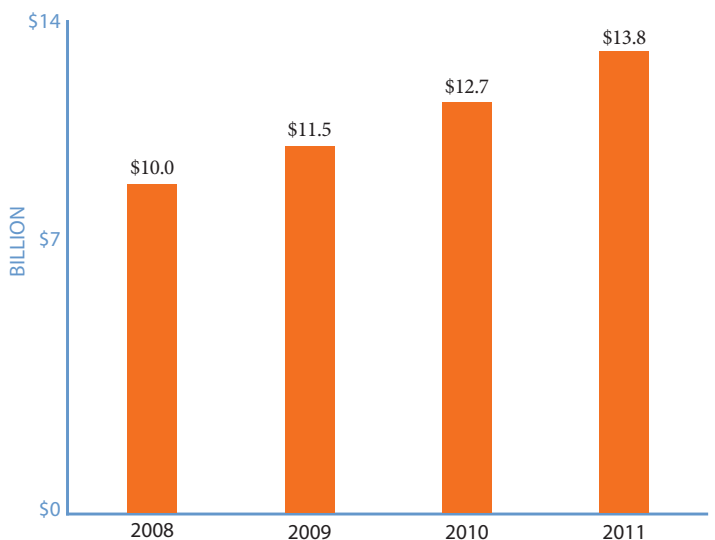
Industry-wide, both cash and operating margins are tight but leverage is low and cash available for debt service is relatively untapped, suggesting additional debt capacity for at least half the health centers studied. On average, half of all health centers have 50 cents of total liabilities to every dollar of total net assets. Further, 50 percent of those health centers reported less than 22 cents in total liabilities to every dollar of total net assets. In addition, all health centers reported extremely low annual debt service to total operating revenue, less than 4 percent for the years studied, reflecting low debt levels and/or strong sources of debt repayment.

TOTAL LIABILITIES TO TOTAL NET ASSETS



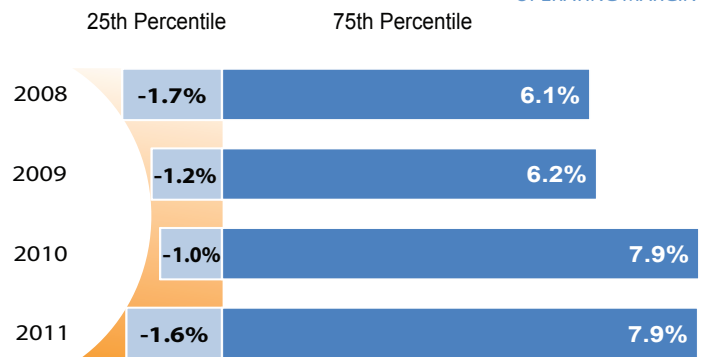
HEALTH CENTER TOTAL REVENUES

By 2011, health centers reached total revenues of \$13.8 billion, a 38 percent increase over revenues in 2008. Increased federal operating and capital grant support over the four-year study period constituted approximately 57 percent of this growth, while 43 percent came from other sources, primarily Medicaid, Medicare, and other public and private insurance sources.



Financial Performance within Quartiles

HEALTH CENTER OPERATING MARGIN



Health centers operate with significant overall variability in financial results across the industry, with operating margins ranging from an average of negative 1.4 percent at the 25th percentile to 7 percent at the 75th percentile. The best performing health centers appear to be financially outpacing their counterparts and may be separating themselves from the majority of the industry. However, within each quartile, results are fairly consistent from year to year, with relatively small variations across the study period.

Access the full report at:

www.caplink.org/resources/reports

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