

CAPITALink

A Quarterly Resource Bulletin from Capital Link, Fall 2014 Issue

Message from the CEO

Inside this Issue

Message from the CEO	1
Federal Update	2
New and Noteworthy	3
Resources	4
Health Center Highlights	8
Upcoming Events	8

As health centers seek to thrive in today's rapidly changing health care world, there is a greater need to focus on enhancing financial and operational performance, particularly as they address increasing patient demand. Taking a methodical approach to assessing current strengths and weaknesses prior to embarking on expansion plans is critical to success. This issue of *Capital Ink* focuses on tools and resources to help health centers improve performance.

Health centers can learn a great deal from the experience of their troubled peers—and use this information productively. The article ***“Failure to Thrive: Struggling Health Centers”*** describes a new report on the differences between failed or failing health centers and their more successful counterparts, shedding light on the factors that may contribute to health center failure. ***“High Performance Community Health Care”*** highlights a new publication focusing on the methodology of managing the transition from data to information to knowledge to action with the goal of achieving a high level of performance. And under Upcoming Events, learn about the performance-improving resources being featured at our upcoming webinars, ***“Overview of Performance-Enhancing Tools for Health Centers”*** Parts I and II.

This issue also features a federal update and a list of upcoming presentations and webinars. We hope the information in this issue helps you achieve your performance goals.

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>

Open Enrollment Began November 15th

The three-month open enrollment period for 2015 health coverage will be running from November 15, 2014 through February 15, 2015. Information and resources for health centers about outreach and enrollment are available on [NACHC's website](#).

Health Centers Take Action to Preserve Funding Levels

Access is the Answer Campaign, Phase Two

NACHC recently announced the launch of Phase Two of the [Access is the Answer campaign](#), which advocates that Congress "Fix the Cliff" during the lame duck session when Members return after the elections. Find out why and learn how health centers can help on [NACHC's blog](#).

Call for Action to Address Funding Cliff

On October 28, 2014, more than 100 national organizations representing a wide range of stakeholders sent letters to Congressional leaders calling for immediate action to fix the Primary Care Cliff. This comes on the heels of a similar letter bipartisan majorities sent to leadership in both the House and Senate during the first week of October. Read more here: <http://www.nachc.org/pressrelease-detail.cfm?pressreleaseID=958>

Recent Health and Human Services (HHS) Funding Announcements

HRSA Announces Additional Behavioral Health Funding for Health Centers

On November 6, 2014, the Health Resources and Services Administration (HRSA) announced \$51.3 million in Affordable Care Act (ACA) funding to support 210 health centers in establishing or expanding behavioral health services. This funding is in addition to the \$54.5 million in ACA funding HHS awarded to 223 other health centers in July. Together, these HHS funding awards help more than 400 health centers nationwide to add or expand access to mental health and substance abuse services. Learn more [here](#).

HHS Funds Initiative to Support Coordinated Care and Improved Outcomes

On October 23, 2014, HHS announced it will invest \$840 million over the next four years through the Centers for Medicare and Medicaid Services' (CMS') Transforming Clinical Practice Initiative, which supports networks who work directly with medical providers to encourage the transition from volume-

driven systems to value-based, patient-centered, and coordinated health care services. Read more here: <http://www.hhs.gov/news/press/2014pres/10/20141023a.html>

HHS Awards Funding to Health Centers to Expand Primary Care

On September 12, 2014, HHS announced that more than \$295 million in Affordable Care Act funding will be awarded to 1,195 health centers through the Health Resources and Services Administration (HRSA) in order to increase access to comprehensive primary health care services. The funding will help health centers create approximately 4,750 new jobs, increase hours of operation, and offer new services (i.e., oral health, behavioral health, pharmacy, and vision) enabling them to reach an estimated 1.5 million new patients nationwide. Find out more at <http://www.hhs.gov/news/press/2014pres/09/20140912a.html>

New Medicare Prospective Payment System

On October 1, 2014, health centers began transitioning to the new Medicare Prospective Payment System (PPS) for FQHCs as mandated by the Affordable Care Act and will continue to do so throughout 2015 based on the end of the health center's annual cost reporting period. NACHC is holding one-day trainings to help health centers prepare for this change. For more information, go to <http://www.nachc.com/MedicarePPSONE-DAYImplementationTrainings.cfm>

New and Noteworthy

Failure to Thrive: Struggling Health Centers

The FQHC business model is complex, but for the vast majority of the approximately 1,200 FQHCs in the US, it has proven to be sound when implemented effectively. Unfortunately, not all FQHCs have been able to do so and the result is that some have failed or been forced to merge.

What causes one health center to fail while another thrives? Capital Link and Community Health Center Capital Fund (Capital Fund) recently issued a report examining the differences between failed or failing health centers and their more successful counterparts in an effort to answer this question. The report, ***Identifying the Risks of Health Center Failure***, is the third topic in the Citi Foundation-sponsored series *Community Health Center Financial Perspectives*. Results showed that many factors contributed to a health center's financial distress rather than one universal or definitive cause. The data suggests that the management of some back-office functions, such as billing and collections, may be just as important as payer mix or provider productivity. The good news is that fewer than 7 percent of health centers failed or merged with another entity during the review period. This track record is quite strong compared to other sectors.

Read more about the report below in the **Resources** section of this issue of ***Capital Ink***, and you can find the complete report here. These findings will also be presented in more detail at the following educational session at the [2014 PCA & HCCN Conference](#):

Failure to Thrive: Struggling Health Centers

Tuesday, November 18, 2014, 3:00-4:30 pm

Presenters: Allison Coleman, CEO, Capital Link; Daniel Diaz, Director, Community Development, Texas Association of Community Health Centers



At the *2014 Opportunity Finance Network Conference* in early October, **Build Healthy Places Network**, a new cross-sector collaboration to improve low-income communities and the lives of the people living in them, was announced. Funded by the Robert Wood Johnson Foundation, the Network connects leaders, practitioners, investors, and policymakers across the health and community development sectors. Capital Link CEO Allison Coleman is pleased to be a member of the Network's Steering Committee. Learn more at: <http://www.buildhealthyplaces.org/>

Resources

Strategic Growth Readiness Assessment

Launched this summer, the **Strategic Growth Readiness Assessment** (SGRA) has received a great response and is available to health centers at no cost through support from HRSA. The SGRA provides an analysis of a health center's readiness, capability, and capacity for future growth. Using audits, UDS information, and service area designation, a SGRA evaluates a health center's capacity to sustain operations into the future, providing management and boards with the information necessary for strategic decision making. Read more about the SGRA by visiting our website at <http://www.caplink.org/services/strategic-growth-planning>.

For more information, contact Terry Glasscock at tglasscock@caplink.org or attend the following upcoming webinar:

Overview of Performance-Enhancing Tools for Health Centers Part II: Strategic Growth Readiness Assessment

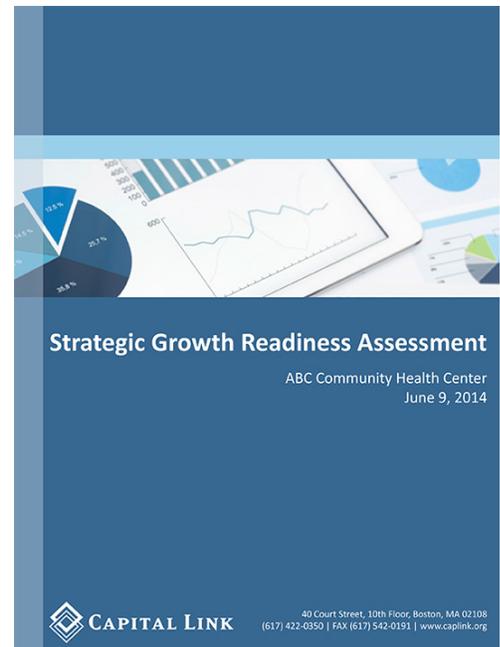
RESCHEDULED >> Note new date

Wednesday, December 3, 2014, 2-3 pm EST

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

Read more here on our website:

<http://www.caplink.org/newsevents/upcoming-webinars>



Capital Project Economic Impact Analysis Now Available

A capital expansion project can have an enormous impact on a community. Not only does it expand access to care, it also reduces costs, adds jobs, and stimulates the local economy. A Capital Project Economic Impact Analysis (EIA) illustrates this impact, making it a useful tool to share with community stakeholders both before and after a capital project. See a sample of a Capital Project EIA on the following page, and learn more by visiting <http://www.caplink.org/services/capital-project-planning>.

TEMPORARY IMPACTS

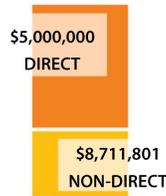
In 2012, Health Center XYZ's capital project generated temporary impacts during design and construction. Ongoing impacts are projected for the health center's expanded operations after facilities completion.

Direct benefits come from health center spending and hires, and non-direct are from related sectors and community growth.

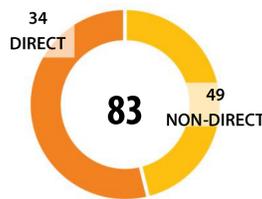
Tax revenue is generated through employee compensation, proprietor income, indirect business taxes, households, and corporations based on the modeled impact.

Project Impact

\$13,711,801



Temporary Jobs



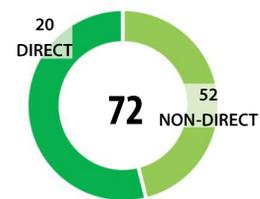
ONGOING IMPACTS

Expanded Operations

\$13,582,123



Permanent Jobs



One Time Tax Revenue

\$1,501,632



Permanent Tax Revenue

\$1,659,207



Community Health Center Financial Perspectives, Issues 5 and 6 Now Available

Community Health Center Financial Perspectives is a series of publications sponsored by the Citi Foundation and prepared by Capital Link, in collaboration with Community Health Center Capital Fund, Capital Link's lending affiliate. The goal is to illuminate the financial and operational trends of the industry in order to increase the breadth and depth of information available on health centers.

Serving as the third topic in the publication series, the recently released Issue 5, ***Identifying the Risks of Health Center Failure*** (and a companion, Issue 6, written for lenders) examines the differences between failed or failing health centers and their more successful counterparts. Based on an analysis of the financial and operational performance of 29 health centers over a four-year period leading up to the centers' demise, the report offers health centers a better understanding of what operational and financial issues have resulted in financial stress for other centers and impacted their ability to stay in business. Below is an infographic illustrating key findings, and you can access the entire report here: <http://www.caplink.org/resources/reports>.

Community Health Center Financial Perspectives

Identifying the Risks of Health Center Failure

Capital Link and its lending affiliate, Community Health Center Capital Fund (Capital Fund), completed the third topic in a series of resources sponsored by Citi Foundation. This analysis examines the differences between failed or failing health centers and their more successful counterparts, shedding light on the factors that may lead to financial stress and the potential inability to repay third party loans. The report analyzed the financial and operational performance of 29 health centers over a four-year period leading up to the centers' demise. The good news is that fewer than 7% actually failed or merged with another entity between 2000-2012. While this track record is quite strong as compared to other sectors, health centers and those that invest in them can learn from the experience of troubled health centers—and use this information to improve and strengthen financial and operating performance and investment decisions. Key findings are illustrated below and the complete report is available at www.caplink.org/resources/reports.

Key Findings

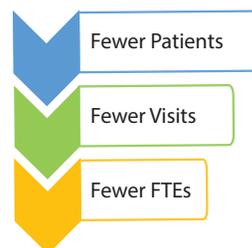
Cumulative Effect of Multiple Risk Factors

- Smaller Organizations
- Declining Operating Margin
- High Accounts Payable Days
- Low Leverage Ratios
- Unbalanced Revenue Composition
- Low Grants and Contract Revenue
- Low Days Cash on Hand
- Low Provider Productivity
- Unbalanced Payer Mix
- High Bad Debt Expense
- Low Accounts Receivable Collections
- High Allowances
- Higher Prevalence of Patients with Chronic Conditions
- Weak Management

FINANCIAL DISTRESS

Many factors contributed to a health center's financial distress and there did not seem to be one universal or definitive cause, suggesting that the management of some back-office functions (i.e., billing and collections) may be just as important as payer mix or provider productivity.

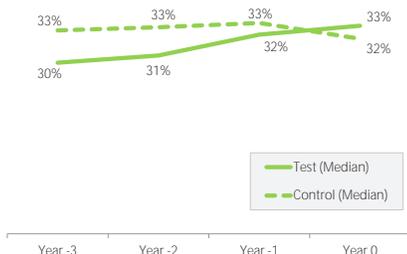
Health Center Size



LESS REVENUE

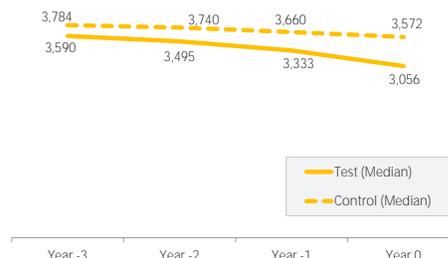
The centers in the test group were uniformly smaller than the control group.

Payer Mix (Medicaid)



Test centers saw proportionally fewer Medicaid patients than their more successful counterparts—perhaps due to fewer Medicaid-eligible patients in their service areas or poor enrollment efforts, or a combination of the two. Test center efforts to improve Medicaid patient mix near the end may have been too little and too late.

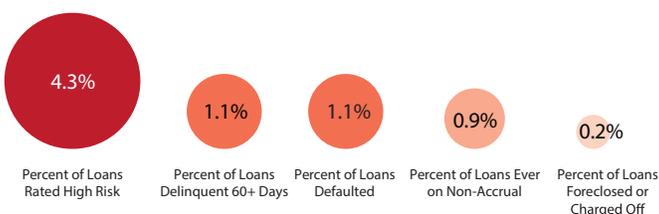
Physician Productivity (Annual Patient Visits)



Lower provider productivity = lower revenue. All test centers reported significantly lower levels of physician and mid-level productivity compared to the control group. Electronic Health Record (EHR) implementation may be one reason, but the factors are many and varied.

Low Default and Loan Loss for the Sector

As a part of this study, a survey of 16 Community Development Financial Institutions (CDFIs) with a history of lending to health centers was conducted. Results showed that health centers present a remarkably low portfolio risk to lenders with only 1.1% of loans at 60 or more days past due and less than half of 1% resulted in any loss to the lender.



Access the full report at:
www.caplink.org/resources/reports

Sponsored by: Citi Foundation



Other reports in this series include:

Community Health Center Financial Perspectives, Issues 1 and 2: Financial and Operational Ratios and Trends of Community Health Centers, 2008-2011

The first topic in the publication series provides multi-year insight on national health center financial and operational performance metrics and trends.

Community Health Center Financial Perspectives, Issues 3 and 4: Impact of Capital Projects on Health Centers: Growth, Financial Trends, and Operational Transformation

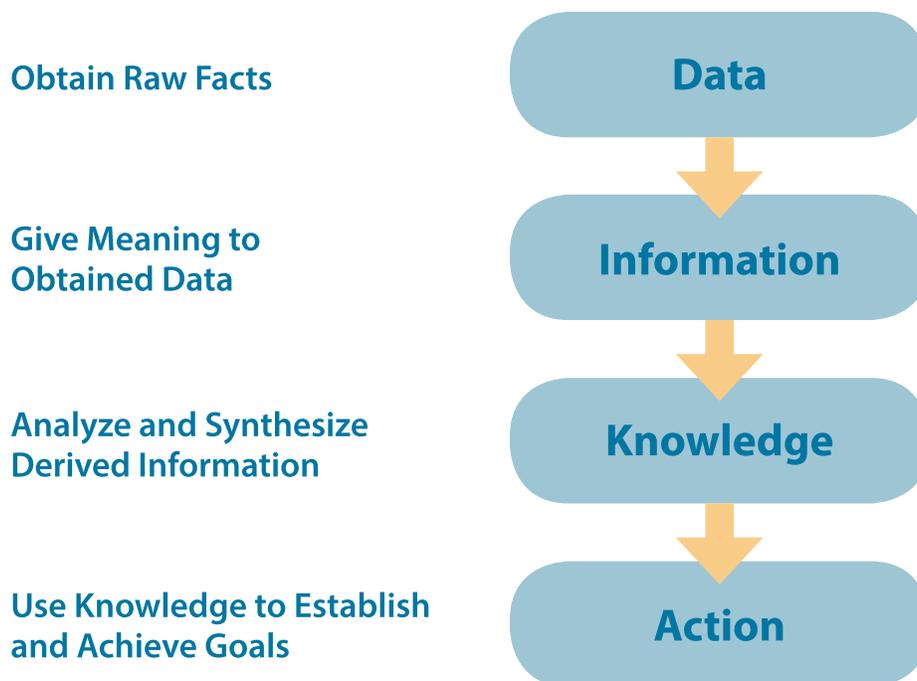
The second topic in the series details the impact capital projects have on health centers' financial and operational performance and health.

Full reports and infographics are available on our website at <http://www.caplink.org/resources/reports>.

High-Performance Community Health Centers

Now, more than ever, health centers have a greater need to employ efficient and effective management techniques. They need to learn how to both measure and improve performance. But what should be measured? How do we interpret the data? And, how can this information be transformed into decision-making?

High-Performance Community Health Centers: Learning, Measuring, and Achieving helps answer these questions by exploring the transition from data to information to knowledge to action with the goal of achieving a high level of performance. This guide, designed specifically for health center staff and boards, discusses the difference between calculating outputs and measuring outcomes, and reviews the basics of change management, explaining how to identify what's important and how to transform limited resources into significant improvements. It also describes the importance of measuring, benchmarking, and evaluating all organizational activities, providing a basic introduction to the tools needed to attain "high performance." You can access this resource here on our website: www.caplink.org/resources/publications. This guide was developed with support from the Health Resources and Services Administration.



NACHC Recruitment, Onboarding, and Retention Toolkit

NACHC recently released a new toolkit designed to assist health centers in attracting, supporting, and retaining their staff. The online resource features links to valuable resources, including Capital Link's webinar "Creating Optimal Environments for Primary Care Teams," and will be continually updated with new information. Access the toolkit here: <http://www.nachc.com/clinicalworkforcerecruitretain.cfm>.

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 here: <http://www.caplink.org/client-impact/client-stories>. The next addition will be **Family Health Centers, WA**, which is scheduled to be released in the next few weeks.

We want to congratulate **Petaluma Health Center, CA**, which is featured on The Center for Health Design's (CHD's) website as a best practice example for their facility expansion. CHD's clinic examples serve as a resource for health centers considering a capital project. Read their story here:

https://www.healthdesign.org/clinic-design/clinic-examples/petaluma_health_center.

We also want to congratulate **Presbyterian Medical Services, NM** on the grand opening of the new Farmington Community Health Center this month.

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/newsevents/events>.

Industry Presentations

2014 PCA & HCCN Conference in Dallas, TX

November 17-19, 2014

Using Business Intelligence for Continuous Improvement

Tuesday, November 18, 2014, 10:15-11:45 am

Presenters: Allison Coleman, CEO, Capital Link; Jonathan Chapman, Executive Director, Louisiana Primary Care Association

Failure to Thrive: Struggling Health Centers

Tuesday, November 18, 2014, 3:00-4:30 pm

Presenters: Allison Coleman, CEO, Capital Link; Daniel Diaz, Director, Community Development, Texas Association of Community Health Centers

Webinars

Overview of Performance-Enhancing Tools for Health Centers Part I: Staff and Board Education

Tuesday, December 2, 2014, 2-3 pm EST **RESCHEDULED >> Note new date**

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

Register [here](#).

In order for health centers to effectively manage the expected significant growth over the next several years, they must focus on improving their financial and operational performance. With support from HRSA, Capital Link can provide health center staff and boards with educational presentations and resources at no cost to support performance-enhancing activities. Topics include:

- What Are The Strategic Forces Influencing Health Care Policy?
- Strategic Planning Designed for FQHCs
- High-Performance Community Health Care: Learning, Measuring, and Achieving
- Revenue Growth Through Expansion: How to Build Capital Improvements with Low-cost Financing
- Building a Bridge to Your Local Hospital: Using Community Benefit Obligations to Entice Collaboration
- Creating Optimal Environment for Primary Care Teams
- Metrics that Matter: Review of Financial and Operational Measures Needed for Management Decisions

Overview of Performance-Enhancing Tools for Health Centers Part II: Strategic Growth Readiness Assessment

Wednesday, December 3, 2014, 2-3 pm EST **RESCHEDULED >> Note new date**

Presenter: Terry Glasscock, Senior Project Consultant, Capital Link

Register [here](#).

Learn more about Capital Link's Strategic Growth Readiness Assessment (SGRA), which is an analysis of a health center's readiness, capability, and capacity for future growth, and is available to health centers at no cost through support from HRSA.

“Welcome to *Your* Community Health Center”: Using Demographic Data to Inform Design

Previously recorded (date for national offering to be determined)

Presenter: Cindy Barr, Operations & Facilities Planner, Capital Link

A recording of this November 5, 2014 webinar will be posted here on our website as soon as it is available.

The mission of every community health center is to break down barriers to effective, patient-centered healthcare, barriers that are constantly changing and strengthening, sometimes within our own walls. Our facilities not only support our processes, they are powerful communicators of our mission, vision, and priorities. Unfortunately, the stories they tell often contradict our words and actions. This webinar will focus specifically on using demographic data to shape your built environment as a tool for minimizing personal stress, communicating cultural expertise, and maximizing effective interactions.

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](#), [Twitter](#), and [LinkedIn](#).