



June 28, 2012

## **As the Affordable Care Act Advances, Health Centers Challenged to Meet Capital Needs**

Capital Link announces the release of *Capital Plans and Needs of Health Centers: A National Perspective*, a study conducted to determine the current capital plans of Community Health Centers and other Federally-Qualified Health Centers across the United States and whether those plans, if funded and implemented, would be sufficient to provide the facilities necessary to serve 40 million patients, the Affordable Care Act goal for access to care. This study was supported by a Cooperative Agreement with the Health Resources and Services Administration, Bureau of Primary Health Care.

According to a report released by the White House<sup>1</sup> on May 1<sup>st</sup>, health centers currently provide comprehensive primary and preventive care to 20 million people each year in more than 8,500 urban and rural communities. As a result of Affordable Care Act investments, the number of patients receiving care from a community health center increased by nearly 3 million from 2008 to 2011. An additional 1.3 million patients will be served in 2012 and 2013 due to the Capital Development grants just announced. Health centers are also an important source of local employment and economic growth. Total health center employment is more than 131,000 individuals nationwide, including a 15% increase since 2009. However, most health centers operate in buildings more than 20 years old, with some as old as 110 years.

To determine current capital plans and progress towards reaching the Affordable Care Act goal for access to care, Capital Link requested information from 1,200 health centers, resulting in a response rate of 30%. Of the responding health centers, 76% indicated that they had specific plans to initiate capital projects within the next five years, which Capital Link estimates will total approximately \$5.7 billion. These planned projects should accommodate an additional 6,629 providers and 6.9 million patients, tremendous progress but still some distance from the needed capacity.

In order to provide the facilities and equipment needed to achieve the goal, Capital Link estimates that health centers will need to take on additional investments in capital projects of about \$7.4 billion. In combination with currently planned projects of \$5.7 billion, this additional capacity brings the total capital need to \$13.1 billion. These projects should provide the space to accommodate 15,303 additional providers and enable health centers to serve 40 million patients annually.

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<sup>1</sup> [http://www.whitehouse.gov/sites/default/files/05-01-12\\_community\\_health\\_center\\_report.pdf](http://www.whitehouse.gov/sites/default/files/05-01-12_community_health_center_report.pdf)



Health centers report that they have secured about 33% of the cost of planned projects, with federal grants accounting for a third of that figure. Extrapolating from that data, Capital Link estimates that health centers nationally have likely secured at maximum of \$1.9 billion for planned capital development, but a funding gap of at least \$3.8 billion for planned capital projects likely remains. Given that projects totaling at least \$7.4 billion have not yet been planned nor funding secured, health centers still have an enormous gap of \$11.2 billion to bridge with additional equity and/or debt financing and through securing leased space.

To fund capital projects, health centers rely on capital campaigns, foundation grants, and government support; yet these resources often fail to produce the necessary amount of equity for health centers to move ahead effectively with needed expansions. Looking at how health centers have paid for capital projects from 2005 through 2010, 74% came from grants or health center equity and 26% from debt sources. In FY09 and FY10, the proportion of debt financing accessed by health centers declined precipitously, coinciding with the economic downturn and the tightening of credit markets. The increase in federal capital grant resources during that time period was likely the reason health centers were able to continue to grow, increasing their physical capacity to serve patients by 6.6 million over the five-year period.

If, as the economy recovers, health centers are able to raise funds according to prior standards, they will need to secure at least \$3.5 billion in debt, or 2.3 times as much as they raised between FY05 and FY10. They will also need to raise \$5.2 billion in equity, which is 1.2 times the historical record. Assuming that health centers continue to lease approximately one-third of their facilities, they will also need to work closely with landlords to develop facilities totaling \$4.4 billion. While the impact of health reform on health centers and their patients is still unfolding, it is clear that health centers will face very significant challenges in raising the capital necessary for their growth.

For more detailed results, the complete report is available online at <http://www.caplink.org/resources/reports>

### **About Capital Link**

Capital Link is a national, non-profit organization dedicated to assisting community health centers in accessing capital for building and equipment projects. From market feasibility and program, staff and facility plans to comprehensive financing assistance, Capital Link provides extensive technical assistance to health centers to assist in strengthening their abilities to plan and carry out successful capital projects.

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