Changing Revenue Landscapes for CHCs

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GoToWebinar

CDFI Fund’s Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.

- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.
CDFI Fund’s Capacity Building Initiative: Financing Community Health Centers

• **Goal**: Build the capacity of CDFIs to successfully finance and provide services to community health centers in underserved communities.

• **Focus**: Health care sector trends, underwriting, program designs for lending to CHCs, and other relevant subjects.

• **Approach**: Advanced forum, six trainings, five affinity groups, one-to-one technical assistance, webinars, virtual resource bank.

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**Presenters**

**Strategies for Healthy Communities**

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Agenda

• Introduction and Overview
• 330 Grants
• Medicaid Expansion & Changing Payer Mix
• Payment Reform
• Resources
• Questions

330 Grant Funding

• 330 grant is 18% of CHC revenues, on average

• Annual 330 funding consists of:
  – $1.5B “discretionary” funding; subject to annual appropriation
  – $3.6B “mandatory” funding, approved thru 9/30/2017

• Recent 2-year 330 funding extension also includes:
  – Children’s Health Insurance Program (CHIP);
  – National Health Service Corps (NHSC) &
  – Teaching Health Center Graduate Med. Education (THC)

• CDFI financing is often longer than 2 years –
  What can we expect in 2 years?
Medicaid Expansion, Changing Payer Mix and Financial Impact on CHCs

Map: Where States Stand on Medicaid Expansion Decisions

*Map updated May 1, 2015

[Key]
- States are consulting Medicaid
- States have limited Medicaid
- States are expanding Medicaid
- States are expanding Medicaid but unavailability
- States are expanding Medicaid pending federal waivers requested
New Medicaid Beneficiaries since ACA Expansion

- According to CMS: 11.7 million more US residents enrolled in Medicaid or CHIP in February 2015 as compared to October 2013, when ACA’s Medicaid expansion took effect.
  - More than 70.5 million US residents were enrolled in Medicaid or CHIP as of February 2015
  - Enrollment increased by ~27% in Medicaid expansion states vs. ~8% in non-expansion states
  - In 2013, CHCs served 8.8 million Medicaid patients (40.6% of all patients); $8.12 billion in Medicaid revenues out of $17.8 billion in total revenues (46%)
- 2014 UDS data not yet available

How is the Medicaid Expansion Affecting CHCs?

- Only anecdotal information is available so far, but:
  - Initial reports from CHCs in expansion states look good!
  - Unclear or negative results from CHCs in non-expansion states
CHC in Medicaid Expansion State

One Example – Payer Mix

- Significant increase in Medicaid and decrease in uninsured; visits grew by ~8%

Changes in Medical Payer Mix

Changes in Dental Payer Mix

- Significant increase in NPSR leads to revenue growth

Revenue Mix - 2013

Revenue Mix - 2014

2013 Total Operating Revenue = $42.2 million

2014 Total Operating Revenue = $50.4 million
CHC in Medicaid Expansion State
One Example – Operating Margin

Similar Results in CA
Based on Analysis of 10 CHCs

Payer Mix 2012-2014 (medians)
Similar Results in CA
Based on Analysis of 10 CHCs

Median Operating Margin FY12-14

Payment Reform

• What’s Happening

• What does it mean for FQHCs
The Goal of Payment Reform: Drive Change to Achieve The Triple Aim

- Defined by Institute for Healthcare Improvement (IHI) as:
  - Improving the patient experience of care (including quality and satisfaction);
  - Improving the health of populations; and
  - Reducing the per capita cost of health care.

- Summarized as:
  - Better care; Better health; Lower costs

- The Challenge – creating payment systems that support providers’ pursuit of the triple aim

Categories of Payment – Volume to Value

HHS Framework:
1 – Fee-for-Service (FFS); no link to Quality

2 – FFS with link of Payment for Quality
   - Pay for performance (P4P) incentive payments

3 – Alternative Payment Models built on FFS
   - Service delivery triggers payment; includes Accountable Care Organizations (ACOs); opportunities for shared savings

4 – Population-based Alternative Payment Models
   - No direct payment for service delivery
     - ACOs moving towards global capitation
What is the Pace of Implementation?

- Medicare Goals
  - 2016: **30% of payments** via Alternative Models – categories 3 & 4
  - 2018: **50% of payments** via Alternative Models
- Medicare is minor for FQHCs, but it can drive industry change
- For Medicaid, many states exploring alternatives to pure FFS payments
- To date, PPS remains a safe harbor with CMS & Congressional support

Source: NACHC
Examples Already in Place

- **Oregon:**
  - FQHCs can elect to receive Per Member Per Month (PMPM) capitated payments
  - Frees providers from “tyranny of FFS visit”
  - Provider flexibility = better work environment = recruitment tool
  - PMPM is reconciled back to PPS; FQHC paid any shortfall, but expectation is fewer visits

- **Minnesota**
  - FQHC Urban Health Network (FUHN)
  - Medicaid ACO of 10 FQHCs; 23,000 patients
  - Shared Savings; no downside risk taken

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California Payment Reform Pilot Proposal

CURRENT

- Total Cost of Care
- Non-Primary Care Costs of Care for Patient Population
- PPS

TRANSITION

- ROI: Savings
- Evolving P4P Incentive Payments
- PMPM for New PCHH Services
- APIM: Capitation Rate = Average actual visits / PPS rate

TRANSFORMED SYSTEM

- ROI: Savings
- Non-Primary Care Costs of Care for Patient Population
- Reinvest some shared savings in ongoing PCHH
- Incentive Payment for Value
- Capitated Base Payment

Source: California PCA & California Assn of Public Hospitals
FQHCs are Well Positioned for Payment Reform in Many Ways

• **Business Model of Healthcare Reform:**
  – Prevent the Preventable
  – 25% of hospital admissions for preventable conditions

• **FQHCs are ahead of many in their experience with the infrastructure of reformed systems:**
  – They have the patients - a large & loyal clientele
  – Patient-Centered Medical Home (PCMH) – 59% are certified
  – Use of EHR (88%) & reporting data
  – Care coordination for high-risk & complex patients
  – Managing chronic conditions
  – Public health outreach (working with social determinants)

And They Have Access to Many Supports

• **HRSA, NACHC & PCAs educate and support FQHCs**

• **NACHC supports include:**
  – ACO trainings & materials – multiple and continuing
  – Developing tools for “risk adjustment” – so FQHCs can demonstrate complexity of clientele & be properly rewarded for prevention
  – Payment reform summits with PCAs
  – Readiness Assessment tools
Resources

- **Health Resources & Services Administration (HRSA)**
  - Health Center Data (UDS data)
- **National Assn of Community Health Centers (NACHC)**
  - Research & Data; Policy Issues, weekly update e-mail
- **Center for Medicare & Medicaid Services (CMS)**
  - Medicaid Enrollment data; Innovation Center
- **Kaiser Family Foundation**
  - State Health Facts; Medicaid Expansion
- **State Refor(u)m**
  - Online Network for Health Reform implementation
  - Medicaid Expansion Decisions Map
- **National Academy for State Health Policy (NASHP)**
Questions?

Financing Community Health Centers Webinar Series

Final topic is:

• Updated Financial and Operating Metrics and Trends
  • Tuesday, July 7, 2015 at 2pm ET

Upcoming webinar registration and webinar recordings can be found at:
The CDFI Fund’s Virtual Resource Bank.
CDFI Fund’s Virtual Resource Bank

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

United States Department of the Treasury

Financing Community Health Centers

The resources for this topic can be found below. To view all of our available Resource Banks, click here.

I. Training Curriculum

- Trends in Health Care and the Role of CHCs in Low-Income Communities
- Defining the CHC Landscape
- Primary Credit Needs of CHCs and Sources of Credit
- CHC Financial and Operational Metrics and Trends
- Underwriting CHCs
- Development Services and Partnerships

II. Training Webinars (Coming Soon)

III. Additional Resources

- Overview of CHCs
- Economic Development Benefits of CHCs
- Regional and State-Based Resources for CHCs

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