**CHC Financial and Operational Metrics and Trends**

Allison Coleman, Capital Link

Tuesday, July 7, 2015

The CDFI Fund is an equal opportunity provider.

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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.

Presenters

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Health Center Financial & Operational Trends

• With the support of Citi Foundation, Capital Link launched a series of field-building resources entitled: “Community Health Center Financial Perspectives”
  • Issue 2: A Guide for Lenders (March 2014)
    – Also available as publication of the San Francisco Federal Reserve Bank: http://www.frbsf.org/community-development/publications/special/financial-operational-ratios-trends-community-health-centers/

• Today’s presentation updates key portions of this report, showing health center ratios and trends from 2010 - 2013

The “Typical” Health Center

• In 2013, the median health center had:*
  – $10.4 million in annual revenues
  – Assets of $7.8 million
  – Long-term debt of $1,330,000 (average = $9.6 million)
    (of those with debt; 19% had no L-T Debt at all)
  – Net assets of $4.7 million

• In 2013, the average health center:**
  – Saw ~18,000 patients annually through 71,000 visits
  – Had 23 provider FTEs and 130 total FTEs

* Data from Capital Link’s audited financial database
** Data from HRSA’s Uniform Data System (UDS)
Health Center Four-Year Growth Trends

Health Center Four-Year Growth Trends

Patients (millions)
Visits (millions)
Grantees
Service Sites

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013

Health Center Total Revenues

Total Revenues

NPSR (Collections)
Capital Grants
Operating Grants
Other

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013
Health Center Patients Compared to U.S. Population

Income and Insurance Status

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2013 & U.S. Census Reports

Health Center Employment

Total Full Time Equivalent Employees

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013
Wide Range of Size

Total Operating Revenue

Revenue Composition

Revenue Mix

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Net Patient Service Revenue: Shifting Patients Affect Payer Mix

The Importance of Medicaid as a Payer

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013
Grants & Contracts

Grant Sources Mix

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>30%</td>
<td>28%</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>State &amp; Local</td>
<td>61%</td>
<td>63%</td>
<td>62%</td>
<td>60%</td>
</tr>
<tr>
<td>Foundations/Private Grants and Contracts</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013

Expense Structure

Employment Related Expense as a Percentage of Revenue

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>75th Percentile</td>
<td>77%</td>
<td>78%</td>
<td>78%</td>
<td>79%</td>
</tr>
<tr>
<td>50th Percentile</td>
<td>71%</td>
<td>72%</td>
<td>72%</td>
<td>73%</td>
</tr>
<tr>
<td>25th Percentile</td>
<td>64%</td>
<td>65%</td>
<td>64%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Growth in Billable Providers

Full Time Equivalent Employees by Provider Type

In a Fee-for-Service Environment, Provider Productivity Drives Revenue

Provider Productivity

Source: Uniform Data System, Bureau of Primary Health Care, HRSA, DHHS, 2010-2013

Provided by OPPORTUNITYFINANCE NETWORK
Adequate Support Staff Levels Affect Productivity

Median Staffing Support Ratios

Payment Methodologies Are Changing!

- FQHCs currently benefit from Prospective Payment System (PPS) reimbursement
  - Fee-for-Service
  - Managed Care

- Movement toward outcome-based reimbursement methodologies rather than output-based methodologies
  - Patient Centered Medical Home
  - Accountable Care Organizations (increasingly risk-based reimbursement)
Industry Financial Trends

Profitability

Operating Margin

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Profitability

Bottom Line Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>75th Percentile</th>
<th>50th Percentile</th>
<th>25th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10.0%</td>
<td>5.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>2011</td>
<td>11.0%</td>
<td>4.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2012</td>
<td>10.0%</td>
<td>4.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2013</td>
<td>8.0%</td>
<td>-2.0%</td>
<td>-0.8%</td>
</tr>
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Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13

Liquidity

Days Cash on Hand

<table>
<thead>
<tr>
<th>Year</th>
<th>75th Percentile</th>
<th>50th Percentile</th>
<th>25th Percentile</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>81</td>
<td>37</td>
<td>16</td>
</tr>
<tr>
<td>2011</td>
<td>85</td>
<td>38</td>
<td>16</td>
</tr>
<tr>
<td>2012</td>
<td>88</td>
<td>39</td>
<td>18</td>
</tr>
<tr>
<td>2013</td>
<td>92</td>
<td>45</td>
<td>18</td>
</tr>
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</table>

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Liquidity

Days in Net Patient Service Receivables

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13

Liquidity

Days in All Receivables

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
**Liquidity**

**Current Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>75th Percentile</th>
<th>50th Percentile</th>
<th>25th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3.9</td>
<td>2.3</td>
<td>1.4</td>
</tr>
<tr>
<td>2011</td>
<td>4.1</td>
<td>2.4</td>
<td>1.4</td>
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<tr>
<td>2012</td>
<td>4.2</td>
<td>2.4</td>
<td>1.4</td>
</tr>
<tr>
<td>2013</td>
<td>4.2</td>
<td>2.6</td>
<td>1.5</td>
</tr>
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Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13

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**Capital Structure and Debt Load**

**Health Centers With and Without Debt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Without Debt</th>
<th>With Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>2011</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>2012</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>2013</td>
<td>19%</td>
<td>81%</td>
</tr>
</tbody>
</table>

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
**Capital Structure and Debt Load**

**Average Debt Amount for Organizations with Some Debt**

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13

**Capital Structure and Debt Load**

**Median Debt Amount for Organizations with Some Debt**

*(in Millions)*

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Capital Structure and Debt Load

Equity Ratio (Liabilities/Net Assets)

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13

Capital Structure and Debt Load

Debt Service Coverage Ratio

Source: Capital Link Database of Health Center Audited Financial Statements, FY10-FY13
Financial & Operational Trends: Summary

- The health center industry remains fairly stable
  - The median health center is:
    - Growing (patients, visits, FTEs, Revenues)
    - Has positive operating margins (although narrowing)
    - Balance sheet stability, with consistent cash balances, reasonably efficient cash cycles and low (but increasing) levels of debt
- Medicaid continues to be the dominant and most important payer
- Health centers continue to diversify services with highest growth in behavioral health and dental
- Medical provider productivity continues to decline
- Tremendous variance between the “top” and “bottom” financial performers.

Questions?
CDFI Fund’s Virtual Resource Bank

[Website Link]

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 Bank, click here.

I. Training Curriculum
- Trends in Health Care and the Role of CHCs in Low-Income Communities
- Defining the CHC Landscape
- Primary Care 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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