



Value of Health Centers TODAY and TOMORROW

Federally Qualified Health Centers (FQHCs) are facing uncertain times. They need to demonstrate their current impact in three key areas: jobs and the economy, savings to the health system, and access to care for vulnerable populations. They also need to illustrate how health centers, their employees, the community, and most importantly their patients, will be affected if some of the issues under debate are implemented.

There are two key pillars of support that health centers rely on: (1) a strong and stable Medicaid program and (2) federal operating grants that allow them to serve uninsured and under-insured patients and provide services that help our low-income patients gain access to care. Both these pillars are threatened at the current time: The Medi-Cal expansion that provides health insurance for many patients may be rolled back and/or cut and federal operating grants will be cut by 70% if Congress does not act quickly to extend this funding.

If both these events were to occur, our health center would lose more than ½ of our funding, causing us to drastically cut back on staff, which means we could serve only ½ as many patients as we do now. Our operations would shrink, which also has a negative ripple effect on other businesses in our community, ultimately causing further job losses and economic decline.

The costs to the health care system would actually increase when former health center patients seek more expensive care elsewhere.

This report shows the value of health centers TODAY and TOMORROW. Page one demonstrates current impact (TODAY) using the latest available data (2015) and page two reviews the potential impact (TOMORROW) if Congress and the new President roll back Medicaid eligibility to pre-Affordable Care Act (ACA) levels and reduce health centers' federal operating support by 70%. Page three provides references and the methodology used while page four explains how economic impact is measured. Page five summarizes health centers included in the analysis and author information.

Below are some talking points and background information for each item.

Page 1: Value of Health Centers TODAY

Your health center provides a lot of value to our community. In addition to serving patients, it provides employment, which stimulates other local hiring and injects millions of dollars into the local economy. And it also saves the health system money by providing high quality, state-of-the-art care at a fraction of the cost of other providers.

Total Jobs:

- Our health centers provided **X in direct employment**, based on 2015 UDS.
- Our health center's spending in the community also generated **X other jobs**. Other jobs in the community are calculated using IMPLAN's economic modeling system and represent indirect and induced jobs.

Health centers provide employment (w/health benefits) and training opportunities; often they are the largest employers within a low income community. Health centers create both professional and entry-level jobs. For example, for every one full time equivalent medical provider, about three full time equivalent support positions are created. In addition, access to quality primary health care at the health center keeps employees in the community healthy and able to work!

Total Economic Impact:

- Health centers **directly spent \$X** and stimulated an **additional \$X in community spending**, for total economic impact **exceeding \$X** across the state.
- Direct economic impact is actual 2015 operating expenses from UDS.
- Indirect community spending is calculated using IMPLAN's economic modeling system and represent indirect and induced contributions.

Health centers purchase goods and services from businesses, stimulating the local economy and small businesses. Employed community members contribute positive impacts as well, spending the wages they earn to further benefit the community. Since health centers often serve as a community anchor, they attract new businesses and investments into the community and improve neighborhood safety by upgrading the neighborhood.

Explaining the Economic Impact Cycle (also see page 3 of the report)

- Health centers provide **direct** positive economic impact by: employing people in their communities (including entry-level jobs) and purchasing goods and services.
- Health centers provide **indirect** economic effects through their purchases of goods and services from other local businesses, which in turn grow and support more employment.
- **Induced** economic effects come from the growth of all local industries as a result of the expenditures of new household income generated by the direct and indirect effects.

What is IMPLAN and How Does It Calculate Economic Impact?

IMPLAN, an economic modeling firm, developed the IMPLAN (IMpact analysis for PLANning) software system to help analysts address questions about economic study and analysis. The software describes the structure and function of a specific economy, creating a localized model to investigate the consequences of existing and projected economic transactions in specific geographic regions. Used by over 2,000 public and private institutions, IMPLAN is the most widely employed and accepted regional economic analysis software for understanding and predicting direct, indirect, and induced economic impacts.

Savings to the Health System:

A recent study (Nocon et al, 2016) indicates that in CA, the annual total cost of care is 22% lower for FQHC Medi-Cal patients than for Medi-Cal patients served by other types of providers. That \$2,176 savings per patient is multiplied by the number of Medi-Cal patients served at our health center, saving **\$X billion annually** on Medi-Cal for the state.

In addition, the annual average savings for overall medical expenditures for patients served in health centers is \$1,263, according to research (Richard et al, 2012). Multiplying that figure by the X million non-Medi-Cal patients adds **\$X in annual savings** for a **total savings to the health system of \$X billion annually**.

Access to Care for Vulnerable Populations:

Our health center served **X million patients**, a three-year **growth rate of X%**. Since 2012, health centers experienced a **X% decline in uninsured patients**, with most patients (**X**) **gaining Medi-Cal insurance**. Statistics and information are from UDS and based on changes from 2012-2015 and/or 2015 reported patient data.

Page 2: Value of Health Centers TOMORROW

Total Jobs Lost:

- Health centers are projected to **lose more than X direct jobs** as a result of a rollback to pre-ACA levels of Medi-Cal eligibility, elimination of subsidies for insurance plans, and a 70% loss in HRSA Section 330 operating grants. Direct health center jobs lost are based on the total projected revenue loss to the FQHC system divided by the 2015 average cost per FTE for CA. See assumptions for projected revenue loss under “Higher Costs to the System,” below.
- In addition, communities **will lose more than X other jobs** as health center spending in the community declines. Other jobs lost in the community are calculated with the IMPLAN multiplier.

Total Economic Impact:

- Health center **revenues will decline by almost \$X**, leading to lower spending by a like amount. See assumptions driving this decrease in revenues and spending under “Higher Costs to the Health System,” below.
- An additional **\$X will be lost in other community spending**, leading to a total **decline in economic vitality of \$X billion** across the state. Indirect community spending is calculated with the IMPLAN multiplier, based on the decline in direct spending.

Explaining the Economic Impact Cycle (also see page 3)

- Lower revenues will require health centers to reduce their expenses, resulting in **direct** job reductions (layoffs at health centers) and less goods and services purchased by the health center in the community. Also, because health centers will have fewer staff, they will be able to serve fewer patients (see “Barriers to Care for Vulnerable Populations,” below).
- The **indirect** economic effect of the lowered employee counts and purchasing from other local businesses will result in less employment and spending for those businesses.
- **Induced** economic effects are the expected decline in all local industries due to smaller expenditures from the lowered household income which arises from the direct and indirect effects.

Higher Costs to the Health System:

- **X patients will lose access to care at FQHCs**, as a result of the decline in revenues and subsequent layoffs of health center staff.
- These patients, who will no longer be served by health centers will now be forced to seek care elsewhere, **ultimately costing the health system \$X more than would have been the case if the health center doors remained open**.
- **Taken together, cuts totaling almost \$X will end up costing taxpayers almost twice as much in care delivered in other settings.**

Loss of patient revenue was calculated using the difference in payer mix between pre-ACA levels and 2015 levels, multiplied by the average reimbursement per payer in 2015 (all data from UDS). Loss of patient revenue and federal operating grant revenue was also based on HRSA's calculation of the national impact of a 70% loss to 330 funding. In December, 2016, HRSA estimated in a response to a request from Congress that a 70% cut to Section 330 funding would lead to 9 million patients losing access to care, 51,000 jobs lost, 2,800 sites closed, and nearly \$7.5 billion in reduced overall health center revenues. Capital Link's estimate further assumes that these losses would be spread on a *pro rata* basis, according to the 2015 "share" of patients, FTEs and revenues of grantees.

The number of patients losing access to care (X million) was derived by dividing the total revenue losses by the average cost of care per patient in 2015 (from UDS). Higher costs to the health system were calculated based on the assumption that the patients who could no longer be seen at health centers would seek care elsewhere at other providers. Reversing the "Savings to the Health System" analysis, these patients would cost the system more by a factor of \$2,176 per former Medi-Cal patient and \$1,263 per non-Medi-Cal patient, for a total of \$X billion in higher costs to the system than would have been the case if the health centers had remained open and cared for these patients.

Barriers to Care for Vulnerable Populations:

- The net result of revenue declines and job reductions at health centers is a **X% decline in patients seen by our health center.**
- While the overall FQHC system of care will be dramatically smaller, our health center will still be burdened by an **X% increase in uninsured patients** as compared to the number of uninsured patients they saw in 2015.
- Further, we will **serve X million fewer Medi-Cal patients**, creating access to care challenges for the state's most vulnerable populations.

Actions:

- We need your help in staving off this dire scenario; we need every [employee, patient, vendor, partner, community business, elected official] to become a health center advocate, to help magnify our message that this health center is highly valued in our community and is worth the investment of federal and state resources to help keep our community healthy.
- And then ask for specific action (write a letter, make a phone call, tweet, sign up as an advocate at www.hcadvocacy.org).