



FEDERAL HEALTH CARE REFORM; COMMUNITY HEALTH CENTER FUNDING

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) will provide \$9.5 billion nationwide in new funding for services at community health centers from FY 2011 through FY 2015. If Utah received a share of this funding annually in proportion to its 0.9% share of the U.S. population, this would result in an annual increase of \$17 million to Utah Community Health Centers for primary care health care services. Utah currently (FY 2011) provides \$1,193,200 General Fund annually in grants to public and non-profit entities for the cost of providing primary health care services to medically underserved populations. Of this amount \$447,300 or 37% in FY 2011 will go to Community Health Centers.

DISCUSSION AND ANALYSIS

What is a Community Health Center?

In Utah, Community Health Centers, as referred to in federal health care reform, are part of the Association for Utah Community Health. The Association for Utah Community Health represents all of Utah's 10 Federally Qualified Health Centers, which operate 30 clinics statewide. In order to become a Federally Qualified Health Center, a medical provider must meet federal criteria (<http://www.cms.gov/center/fqhc.asp>), which includes the following:

- Provide primary care medical services in a high need community
- Charge sliding fee discounts for uninsured individuals with incomes under 200% of the Federal Poverty Level
- Offer all clinic services to all clients of that clinic
- Have a management board that is made up by a majority of patients from the clinic

Medicaid & Medicare Special Treatment of Community Health Centers

Federal law mandates that Medicaid pay Federally Qualified Health Centers their full cost of serving Medicaid clients, rather than just the normal fee-for-service reimbursement schedule. (The same is true in the Medicare program.) In Utah seven of the Federally Qualified Health Centers receive a prospective payment which in FY 2011 is 124% higher than normal Medicaid reimbursement. The other three Federally Qualified Health Centers after the year end have a cost settlement. FY 2007 was the last year a cost settlement was completed and the centers were required to pay back 8% of the Medicaid reimbursement received (i.e. – the centers had received 8% more than their costs). The Department of Health indicates that cost settlements are about 12 months behind and have not taken place recently because of an FTE who retired and has not been replaced due to budget reductions. Typically cost settlements are completed within 6 to 9 months of the end of a fiscal year. The FY 2008 and FY 2009 cost settlements should be done by April 2011.

How Much General Fund Currently Goes to Community Health Centers via Grants?

Utah currently (FY 2011) provides \$1,193,200 General Fund annually in grants through a competitive bid process to public and non-profit entities for the cost of providing primary health care services to medically underserved populations. Of this amount \$447,300 or 37% in FY 2011 will go to Community Health Centers. The table below shows the distribution of grants between Community Health Centers and other non-profit agencies from FY 2006 through FY 2011:

Primary Care Grants	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Community Health Centers						
Grantees	10	12	18	13	14	12
People Served	12,300	20,300	27,000	23,400	34,300	16,400
Money Received	\$ 550,400	\$ 720,200	\$ 742,600	\$ 634,800	\$ 543,200	\$ 447,300
Percent of Money Received	57%	52%	47%	41%	37%	37%
Others						
Grantees	17	29	32	36	33	28
People Served	17,500	21,700	22,000	44,600	32,300	29,000
Money Received	\$ 416,300	\$ 654,400	\$ 833,700	\$ 921,100	\$ 915,300	\$ 745,900
Percent of Money Received	43%	48%	53%	59%	63%	63%
Total						
Grantees	27	41	50	49	47	40
People Served	29,800	42,000	49,000	68,000	66,600	45,400
Money Received	\$ 966,700	\$ 1,374,600	\$ 1,576,300	\$ 1,555,900	\$ 1,458,500	\$ 1,193,200

How Much Increased Federal Funds Will go to Community Health Centers?

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) will provide \$9.5 billion nationwide in new funding for Community Health Centers services from FY 2011 through FY 2015. If Utah received a share of this funding annually in proportion to its 0.9% share of the U.S. population, this would result in an annual increase of \$17 million to Utah Community Health Centers for primary care health care services. Another \$1.5 billion nationwide in new funding is available for capital improvements. Future federal appropriations to Community Health Centers may be changed and Utah’s share of the funding is not known at this time; however, through December 1, 2010 the following has been received and/or announced from each category.

- **Medical Services** – announcements from the federal government through November 15, 2010 have indicated that nationwide there will be \$250 million for the creation of new clinics and \$335 million for expanding medical, dental, and behavioral health services. The funding awards likely will be announced in the spring of 2011.
- **Capital improvements** – Midtown Community Health Center in Ogden is scheduled to receive \$3.6 million for adding physical space to serve approximately 4,000 additional patients. Of the approximately half of all capital funds that have been awarded nationwide through November 15, 2010, the \$3.6 million for Utah represents 0.5% of all funds distributed.

Additional Information About Federal Health Care Reform

- www.healthcare.gov
- www.ncsl.org
- www.kff.org

LEGISLATIVE ACTION

The subcommittee has at least the following options in consideration of the increased federal funds likely to go to Community Health Centers in Utah but not to other similar non-profit entities in Utah:

1. **Do nothing** – allow the grants to proceed as they always have.

2. **Direct the Department to exclude Community Health Centers** – use all the State primary care grants for non-profit entities that are not eligible for increased federal funding.
3. **Reduce grant funding** – reduce the General Fund going for primary care grants that likely will be offset by an increase in federal funds.
4. Any combination of the items above.