NATIONAL ASSOCIATION OF Community Health Centers

Fact Sheet Draft
August 2014

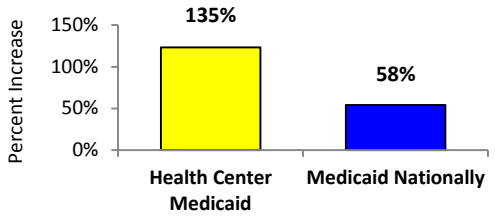
Health Centers and Medicaid

Both Medicaid and health centers improve access to care for the nation's medically underserved. Medicaid is the largest source of health insurance for low-income and disabled people, while health centers ensure that over **22 million underserved patients**[1] have access to primary and preventive care. Also known as Federally-Qualified Health Centers (FQHCs), health centers care for more than 1 in 7 Medicaid beneficiaries nationally.[1] **A recent groundbreaking study has shown that in areas with greater health center funding, people with Medicaid are less likely to delay seeking care due to cost, more likely to have a usual source of primary care, and are less likely to rely on the emergency department (ED) for care.**[2]

Health Center Participation in Medicaid

Health centers are significantly more likely than other providers to accept new Medicaid patients.[3] While Medicaid patients account for 16% of the general population, they comprise 40% of health center patients.[4] The number of Medicaid health center patients continues to increase, growing more than twice as fast as the number of Medicaid beneficiaries nationally between 2001 and 2012 (Figure 1).

Figure 1
The Number of Health Center Medicaid Patients Grew Faster than the Number of Medicaid Beneficiaries Nationally, 2001-2012



Sources: Bureau of Primary Health Care, Health Resources and Services Administration, DHHS. 2001 and 2012 Uniform Data System. Kaiser Commission on Medicaid and the Uninsured. Medicaid Monthly Enrollment: June 2001 and June 2012 Snapshots. www.statehealthfacts.org

Delivering Savings

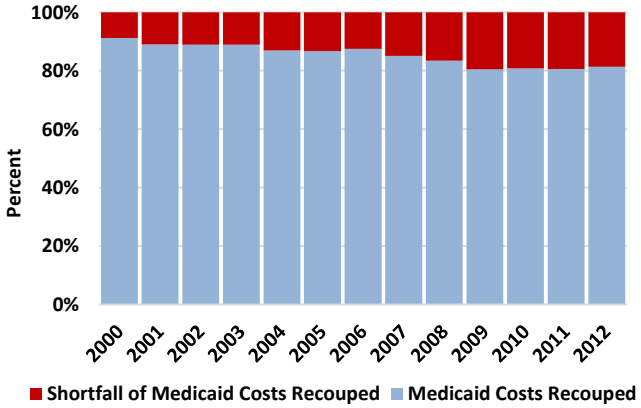
While health centers provide care to 15% of all Medicaid beneficiaries, their Medicaid payments make up only 1.4% of total Medicaid spending nationally (Table 1) and 2% of all Medicaid spending once long-term care spending is excluded. Research shows that health centers produce Medicaid savings by reducing unnecessary, avoidable, and wasteful use of health resources.[5] As a result, health centers **save the federal-state Medicaid program $6 billion annually**.[6]

- **Texas** health center patients cost on average $384 less than Medicaid patients in other office-based provider settings.[7]
- **Michigan** health centers save the state $44.87 per member per month in Medicaid spending.[8]
- A **California** Medicaid managed care study found that health center patients have 64% lower rates of multi-day hospital admission, 18% lower rates of ED visits, and only one-fourth total inpatient bed days compared to other patients.[9]
- A **Colorado** study found that health center Medicaid patients use costly hospital-related services significantly less than other Medicaid patients seen by private providers.[10]
- In four states, Medicaid beneficiaries who rely on health centers for usual care are **19% less likely to use the ED and 11% less likely to be hospitalized for preventable conditions** compared to those relying on other providers.[11]

The Importance of Adequate Medicaid Payment

Adequate Medicaid payments are essential to each health center's viability. Each health center's unique, per-visit Medicaid payment is intended to cover the comprehensive set of services provided by the center and covered by the Medicaid program. Those services typically include dental, mental health, and pharmacy, and may also include services such as care management and health education.

Figure 2
Medicaid Reimbursement for Health Center Patients Has Declined, 2000-2012



Source: Bureau of Primary Health Care, HRSA, DHHS, 2000-2012 Uniform Data System (UDS).
Note: Shortfall of Medicaid costs recouped calculated by total revenues collected from Medicaid over total Medicaid charges.

In 2012, this per-visit Medicaid payment represents 38% of total revenue – health centers' largest source of revenue and proportional to the percent of patients with Medicaid. Yet, despite serving increasing numbers of Medicaid patients, the amount of **Medicaid revenue collected in 2012 only covered approximately 81% of the cost associated with caring for that population. In fact, the percentage of revenue lost has steadily increased over the past fifteen years, exacerbating the uncompensated care gap associated with serving Medicaid patients (Figure 2).** Given health centers' slim operating margins and federal requirements to see all patients regardless of ability to pay and to provide a sliding fee scale and mandatory

services to their patients, further erosion of the Medicaid reimbursement rate will threaten health center solvency. Even though health centers' Medicaid payments do not cover the full cost of seeing their Medicaid patients, it is still a highly cost-effective use of Medicaid funds and a reliable source of payment without which health centers' viability would be at significant risk. Health centers' Medicaid payment structure supports their unique model of care and ensures that health center grant revenues can be dedicated primarily to caring for the uninsured rather than subsidizing care for Medicaid patients.

Table 1. Medicaid Population and Expenditures Accounted for by Community Health Centers By State, 2012

State	% of State Medicaid Population Served by Health Centers	Health Center Medicaid Revenue as % of Total Medicaid Expenditures	State	% of State Medicaid Population Served by Health Centers	Health Center Medicaid Revenue as % of Total Medicaid Expenditures
Alabama	11%	0.8%	**Montana**	13%	1.1%
Alaska	22%	3.0%	**Nebraska**	9%	0.5%
Arizona	13%	1.9%	**Nevada**	6%	0.4%
Arkansas	8%	0.6%	**New Hampshire**	13%	1.0%
California	17%	2.2%	**New Jersey**	21%	1.0%
Colorado	30%	2.9%	**New Mexico**	15%	1.3%
Connecticut	34%	2.4%	**New York**	16%	1.2%
Delaware	8%	0.6%	**North Carolina**	6%	0.4%
District of Columbia	41%	2.2%	**North Dakota**	12%	0.6%
Florida	14%	1.3%	**Ohio**	10%	0.6%
Georgia	5%	0.4%	**Oklahoma**	8%	0.7%
Hawaii	28%	4.3%	**Oregon**	24%	3.3%
Idaho	12%	1.1%	**Pennsylvania**	14%	0.7%
Illinois	23%	2.3%	**Rhode Island**	31%	2.1%
Indiana	12%	1.0%	**South Carolina**	15%	1.0%
Iowa	17%	1.1%	**South Dakota**	15%	1.1%
Kansas	12%	0.6%	**Tennessee**	9%	0.7%
Kentucky	11%	1.0%	**Texas**	7%	0.7%
Louisiana	9%	0.6%	**Utah**	7%	1.0%
Maine	19%	1.6%	**Vermont**	25%	2.0%
Maryland	15%	1.5%	**Virginia**	7%	0.4%
Massachusetts	22%	1.5%	**Washington**	31%	4.4%
Michigan	14%	1.5%	**West Virginia**	28%	1.9%
Minnesota	9%	0.6%	**Wisconsin**	17%	2.6%
Mississippi	14%	0.7%	**Wyoming**	3%	0.3%
Missouri	23%	1.6%	**United States**	15%	1.4%

Note: Based on NACHC Analysis of 2012 Uniform Data System and Monthly Medicaid Enrollment June 2012 and Kaiser Commission on Medicaid and the Uninsured, and Urban Institute FY2012 estimates based on data from Centers for Medicare and Medicaid Services HCFA-64 reports. Kaiser Family Foundation StateHealthFacts.org. Distribution of Total Medicaid Spending, FY2012. http://kff.org/medicaid/state-indicator/total-medicaid-spending/#

[1] NACHC, 2014. Includes all patients of federally-funded health centers, non-federally funded health centers, and expected patient growth for 2014. [2] McMorrow, S., Zuckerman, S. (2013). Expanding Federal Funding to Community Health Centers Slows Decline in Access for Low-Income Adults. *Health Services Research*; [Article first published online: 18 DEC 2013]. [3] Hing E, Hooker R, and Ashman J. Primary Health Care in Community Health Centers and Comparison with Office-Based Practice. J Comm Health 2011 Jun; 36(3): 406-13. [4] Bureau of Primary Health Care, Health Resources and Services Administration, DHHS. 2001 and 2012 Uniform Data System. Kaiser Commission on Medicaid and the Uninsured. Medicaid Monthly Enrollment: June 2001 and June 2012 Snapshots. www.statehealthfacts.org. [5] Cunningham, PJ. Medicaid/SCHIP cuts and hospital emergency department use. *Health Aff*. 2006; 25(1):237-247. National Association of Community Health Centers. "Critical Conditions: State Budget Crisis Threatens to Put Health Centers on Life Support". State Policy Report, March 2003. [6] Ku, L., et al. *Using Primary Care to Bend the Curve: Estimating the Impact of a Health Center Expansion on Health Care Costs*. George Washington University. Washington, DC: Geiger Gibson/RCHN Community Health Foundation Research Collaborative. June 2010. Note: per-person savings associated with health centers derived by comparing annual medical expenditures for health center patients and non-health center patients using 2006 MEPS. [7] Texas Association of Community Health Centers. "Comparative Costs of Community Health Centers and Other Usual Sources of Primary Care: The Texas Story." 2011. [8] McRae T. and Stampfly R. *An Evaluation of the Cost Effectiveness of Federally Qualified Health Centers (FQHCs) Operating in Michigan*. 2006. Institute for Health Care Studies at Michigan State University. [9] California Primary Care Association. Value of community health centers study: Partnership HealthPlan of California case study. 2013 January. http://www.cpca.org/cpca/assets/File/Announcements/2013-01-29-ValueofCHCStudy.pdf. [10] Rothkopf, J., Brookler, K., Wadhwa, S., and Sajovetz, M. Medicaid patients seen at FQHCs use hospital services less than those seen by private providers. *Health Aff*. 2011 July; 30(7): 1335 – 42. [11] Falik M, et al. Comparative Effectiveness of Health Centers as Regular Source of Care. *J Ambul Care Manage 2006;* 29(1):24-35.

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