Funding and Policies Critical to Community Health Center Services:

Four Legs of a Stool

March 2021

Community Health Centers, also known as Federally Qualified Health Centers (FQHCs), provide high-quality, comprehensive care through 14,000 sites serving **medically underserved and hardest-to-reach communities**. Health centers have been **on the front lines of the nation's biggest health challenges**, which have included:

- Testing as many as 500,000 patients each week during the COVID-19 pandemic;
- Working as partners in the national COVID vaccination strategy that is underway;
- Caring for veterans and homeless patients; and
- Tackling opioid abuse and treating substance use disorders.

Thirty million people rely on health centers' high-quality, comprehensive, patient-centered, and cost-effective care thanks to the **support of national, state, and local policy makers over the last 55 years.** A tapestry of policies and resources collectively support the efforts of health centers to deliver and rapidly expand needed medical care, behavioral health, dental care, pharmacy, social, and other services to individuals and families who would otherwise go without. They also allow health centers to pivot and respond to emerging public health crises – such as the COVID-19 pandemic – and natural disasters while maintaining primary and preventive operations for communities where health care options are few or scarce.

Currently, while all health centers depend on multiple and diverse funding and policies, four key and common resources make up their current four-legged stool of support. These include:

- **Federal Health Center appropriations;**
- **Medicaid;**
- **Savings from the 340B Drug Discount Pricing Program; and**
- **Recent federal COVID-19 emergency relief.**

These resources are vital to the success of health centers in meeting health and wellness needs while lowering health care costs and reducing hospitalizations. Although each source contributes uniquely to health centers' operations, growth, and innovation, they are all intertwined. When one source

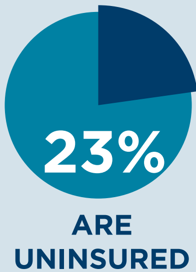
is reduced or compromised, the entire health center budget is weakened, similar to when a leg is removed from a stool it collapses.

Unexpected budget holes greatly threaten the health care homes and safety net for communities otherwise facing health inequities at a time when the nation's public health and health care infrastructure are under resourced and overwhelmed. **Health centers need the stability, expansion, and flexibility of all these resources and policies** to not only provide the best care possible for the 30 million patients served, but also to plan for further expansion to meet the health care needs of millions more.

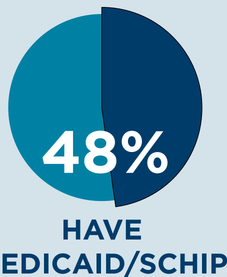
NATIONAL ASSOCIATION OF Community Health Centers®

Health centers serve the nation's most vulnerable populations, including those most at risk for contracting and developing severe cases of COVID-19.

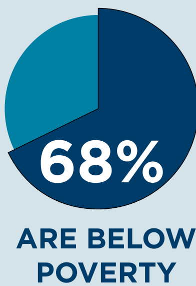
1 IN 3	1 IN 4	1 IN 5	1 IN 5	1 IN 7	1 IN 8
PEOPLE EXPERIENCING POVERTY	PEOPLE WITHOUT INSURANCE	RURAL RESIDENTS	MEDICAID BENEFICIARIES	MEMBERS OF RACIAL/ ETHNIC GROUPS	CHILDREN



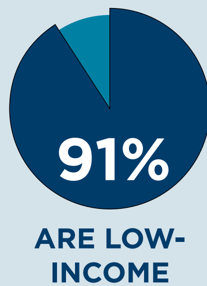
ARE UNINSURED



HAVE MEDICAID/SCHIP



ARE BELOW POVERTY



ARE LOW-INCOME

OVER **1 MILLION** MIGRANT AGRICULTURAL WORKERS

1.5 MILLION PATIENTS EXPERIENCING HOMELESSNESS

ALMOST **400,000** VETERANS

2.9 MILLION PATIENTS 65 YEARS AND OLDER

Four key components set health centers apart and help them break down barriers for medically underserved communities:

1. Located in areas of high need
2. Deliver a comprehensive set of services, including medical, dental, vision, behavioral health, and other support services
3. Open to everyone regardless of insurance status and ability to pay
4. Governed by the patient-majority boards to ensure responsiveness to community needs

Federal Health Center Appropriations

Federal grants for Health Center Program grantees is the second largest revenue source. It **provides the foundation on which health centers can open their doors to medically underserved communities**, allows these health care homes to expand the range of services regardless of patient insurance status, and enables them to care for seven million uninsured patients.

Congress supports health centers in two ways:

1. Discretionary appropriations, which Congress must allocate each year; and
2. Mandatory funding of the Community Health Center Fund (CHCF), which is currently a multiple-year commitment that must be renewed periodically. This source accounts for approximately 70 percent of federal grants and its stability allows health centers to innovate to best serve their patients' unique health needs.

Without the congressional approval of mandatory and discretionary grants, health centers would be forced to close sites, lay off staff, decrease essential services and the number of patients served, and drastically reduce the $63.4 billion economic contribution health centers generate each year as a direct output of this resource.[1]

Congressional uncertainty around appropriations and mandatory funding has posed a challenge over the past decade to health center efforts to expand services to more communities in need, improve facilities and recruit providers. In addition, Congress's provision of nearly level grant resources for the past 10 years has exacerbated budgeting instability, along with a tide of rising health care costs and inflation. This inconsistent and stagnant support has prevented health centers from innovating and led to staff fatigue. In December 2020, Congress passed a three-year continuation of the mandatory Community Health Center fund and nearly level funding of the annual discretionary grant for health centers. These commitments were critical to staving off a significant budget shortfall but is not reflective of the need across the country. Instead, **Congress should provide stable, long-term support that increases over time to address the growing needs facing health centers.**

COMMUNITY HEALTH CENTERS ARE ECONOMIC ENGINES[1]

As health centers leverage the federal and state investments necessary to bring health care where it would otherwise would not exist, they also generate economic gains within the low-income communities they serve. This year health centers are also key to reopening the economy by caring for millions of America's essential workers.

IN 2019, HEALTH CENTERS CREATED MORE THAN

$63.4 B

IN TOTAL ECONOMIC ACTIVITY

AND GENERATED

455 K

JOBS ACROSS THE NATION

(IN FULL-TIME EQUIVALENT OR "FTE")

Health center patients benefit from critical services that increase access to care, improve outcomes, and control costs, which include:[2]

Translation and interpretation

Health education

Transportation

Case management

Eligibility assistance

Community health workers

Medicaid

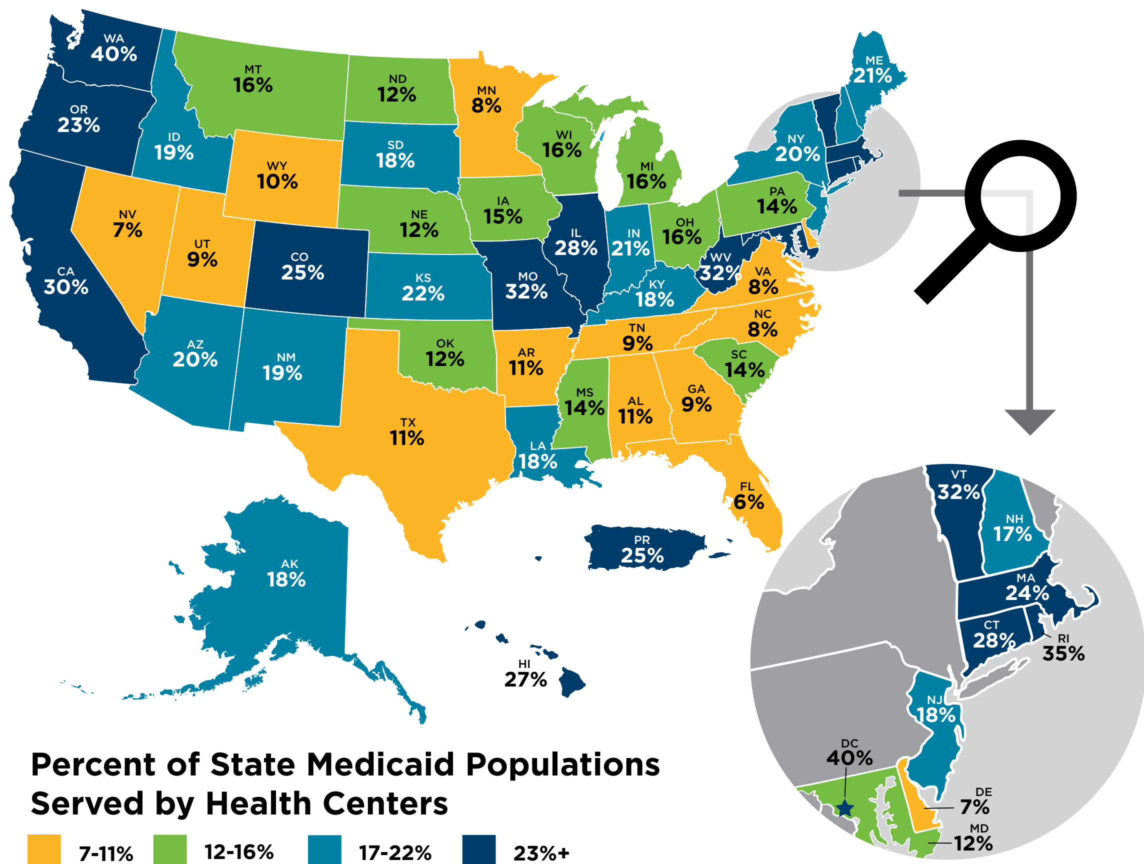
One-fifth of all people in the U.S. who rely on Medicaid for insurance coverage get their care at health centers, where they comprise half the patient population. These patients rely on Medicaid for vaccinations, wellness visits, behavioral health, maternal health care, and dental services, among many other services that help prevent disease and maintain wellness. The longstanding partnership between Medicaid and health centers allows them to improve outcomes as well as accrue savings, as they **save around $2,400 per Medicaid patient compared to other providers**.[3]

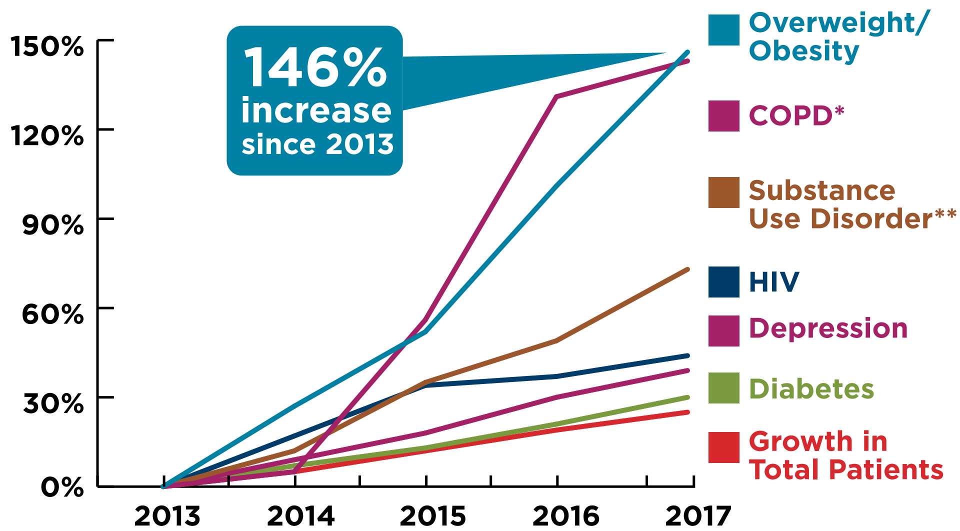
Medicaid patients are directly impacted by the nation's economic downturn. As it dips, such as during the COVID-19 pandemic, more low-income Americans must turn to Medicaid for health coverage at precisely the same time as state governments look to cut their budgets due to limited tax revenue. This can lead to states trimming Medicaid eligibility, benefits, or services.

Boosting states' Medicaid federal medical assistance percentage (FMAP) is an effective response strategy in the midst of an economic downturn and pandemic as it increases the federal share of Medicaid cost, thereby allowing states to preserve vital care services such as those provided by health centers, as well as maintain or expand eligibility.

Still, Medicaid covers only 77 percent of the Medicaid costs health centers incur nationally each year while providing care and generating healthier outcomes among patients at risk for chronic disease.[4] As state governments may soon face substantial budget shortfalls prompted by the COVID-19 pandemic, drastic cuts to Medicaid will harm patients and the providers that serve them. **Congress authorized an increase of 6.2 percent in the FMAP rate during the current Public Health Emergency and should consider increasing the federal match to at least 12 percent given the ongoing strain placed on the program.**

Percent of Medicaid beneficiaries served by health centers, 2019[5]





Health Center Patients are Growing Increasingly Complex, with Higher Rates of Chronic Conditions than in Previous Years

Percent Growth in Health Center Patients Diagnosed with Selected Chronic Conditions, 2013 - 2017[6]

The 340B Drug Pricing Program (340B) enables health centers to offer prescription medications at significantly reduced costs for health center patients, 68 percent of whom live at or below the Federal Poverty Level and may lack insurance coverage. **The 340B program is crucial because it ensures critical medications are available for patients with complex chronic conditions** such as diabetes, asthma, high cholesterol, and hypertension. Health centers have higher rates of patients with chronic conditions and their patients are also more likely to report being in fair or poor health compared to the national average.[7]

Furthermore, savings from the 340B program **are reinvested into patient care, care innovations, and expanded services to address current and emerging health needs**. This allows health centers to expand substance abuse services, clinical pharmacy programs, adult dental services, case management and care coordination, financial assistance, and outreach programs.[8]

The 340B program is currently under assault on various fronts by pharmaceutical manufacturers, pharmacy benefit managers, and states – all seeking to either reduce access and participation in the program, or secure health centers' vitally important 340B programmatic savings for themselves. **Without a strong and protected 340B program, fully functioning as Congress intended, health centers will not be able to offer these vital services**, depriving up to 30 million people of affordable access to much-needed medication – worsening health conditions and ultimately leading to costly emergency care services.

$340B savings contribute to

Building a state-of-the-art health center equipped with the tools and technology to provide chronic disease management and care coordination

Expanding behavioral health services to address depression, substance use disorders, and other needs

Supporting case management services to improve patient health

*COPD = chronic obstructive pulmonary disease

**Excludes tobacco and alcohol use disorders

COVID-19 Emergency Relief Support

The rapid spread of COVID-19 in communities across America forced health centers into a massive pivot to adjust operations to meet the pandemic head-on. **Health centers have tested over 8 million people for COVID-19 while continuing to provide other vital health and wellbeing services and diverting non-acute cases of COVID-19 from overwhelmed hospitals**. With a massive COVID-19 vaccination campaign now underway, health centers are being called upon to vaccinate millions across the nation.

Prior to COVID-19, health centers were among the first responders to many public health crises and disasters, such as hurricanes and wildfires, the Zika outbreak, the Flint Michigan water crisis, and the opioid epidemic. These previous emergencies were localized to specific communities, and now every health center plays an active role in the local community response to the current public health crisis.

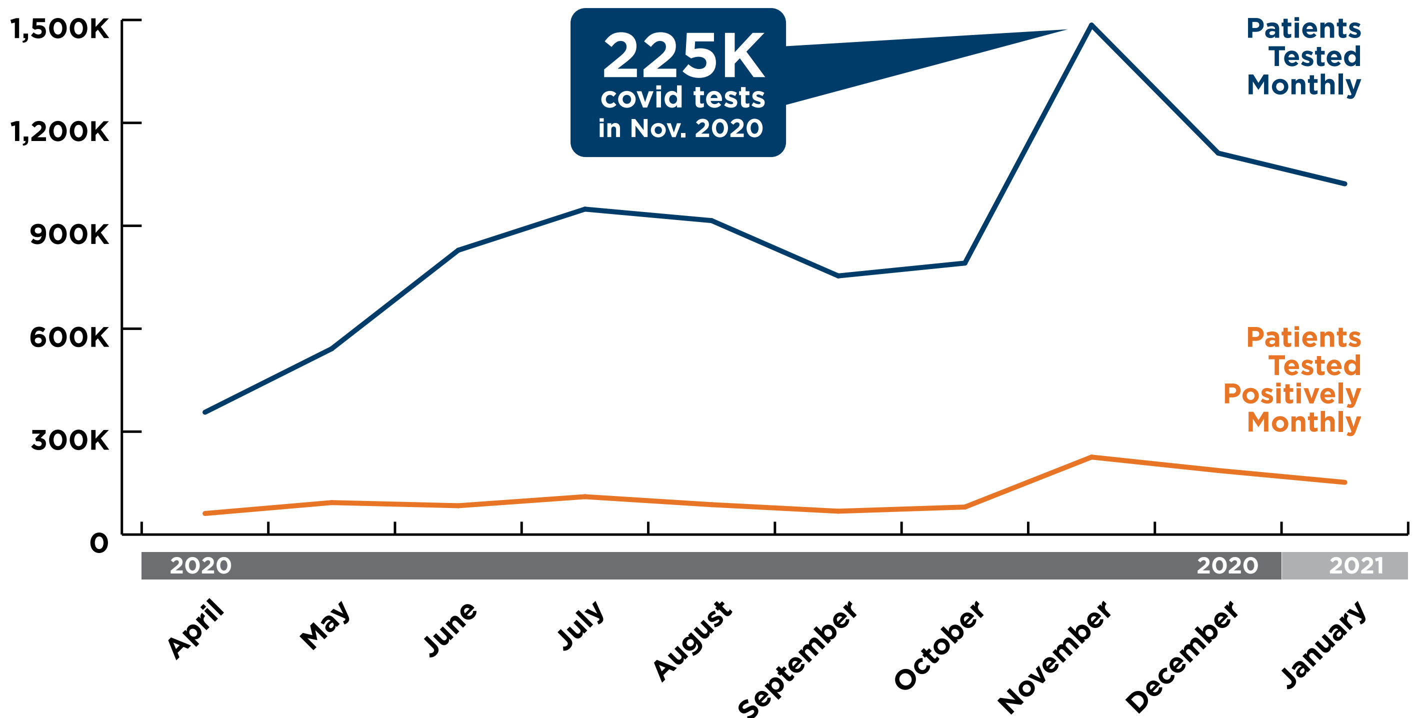
Last year, Congress helped offset some of health centers' substantial COVID-19 response costs, including the purchase of needed supplies and personal protective equipment, making clinical spaces COVID-19 safe for patients and staff, implementing new telehealth technology, and maintaining care team staff through vehicles like the COVID-19 Aid, Relief, and Economic Security (CARES) Act, Paycheck Protection Program and Health Care Enhancement Act, and the Provider Relief Fund.

And while this assistance was welcome and appreciated – it remains insufficient for the outstanding costs and expenses health centers have experienced since the start of the COVID-19 outbreak. **Health centers continue to face financial shortfalls and growing expenses as they care for their communities during the pandemic.** Shortfalls are driven by:

- Revenue losses due to the decline in visits through the COVID-19 pandemic;
- Costs associated with providing tests and vaccines, as well as maintaining sites for both;
- Shouldering additional expenses in response to the pandemic, including purchasing supplies and PPE, investing in and upgrading/expanding telehealth, and minor structural improvements to ensure safe clinical spaces and expanded access to care; and
- Other costs related to operational changes, one time infrastructure investments, and expansion of services and outreach.

In order for health centers to meet these community pandemic response needs, **Congress will need to provide billions more to ensure health centers remain open and available for needed preventive and chronic care, as well as support COVID-19 vaccination efforts and testing.**

Monthly COVID testing by Community Health Centers[9]



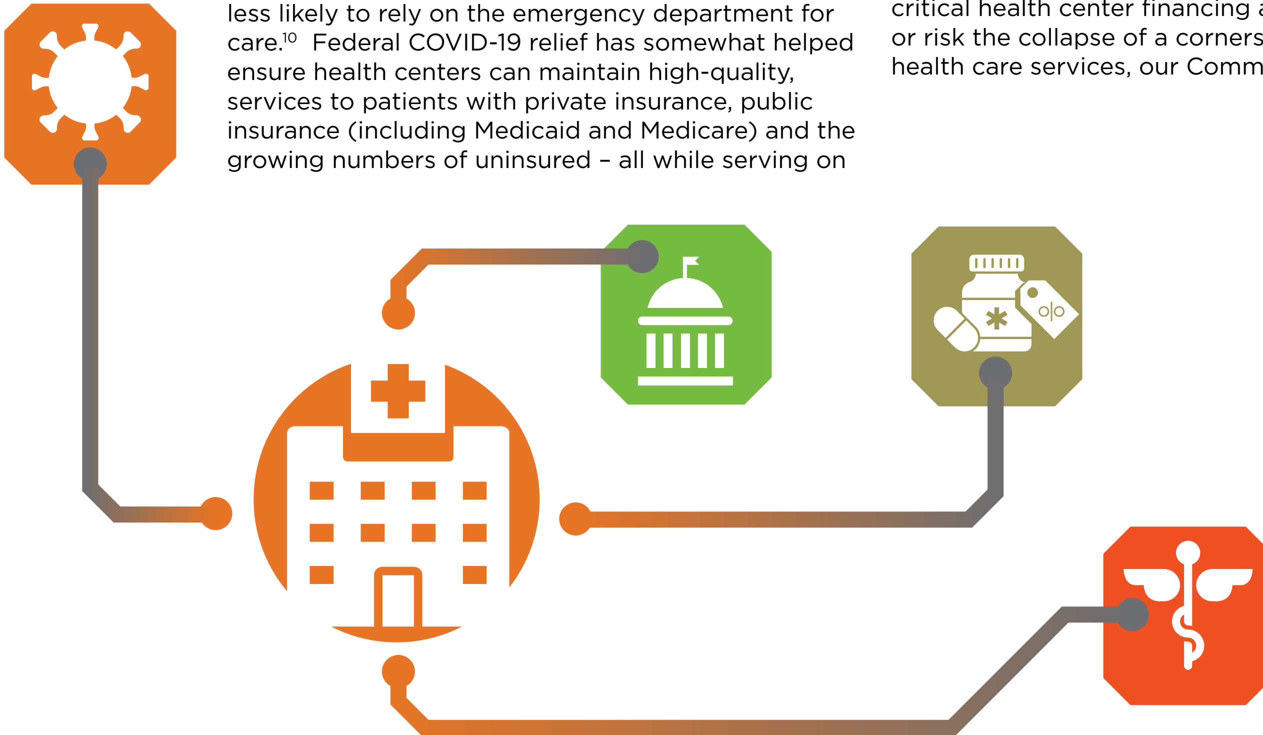
Support for Health Centers Ensures Care Today and Prepares Them for Tomorrow

A combination of integrated policies and funding supports health centers in delivering primary, preventive, and disease management services to 30 million patients in medically underserved communities across the country. Across all health centers, the most common and consistent of these are federal Health Center grants, Medicaid, savings from the 340B Drug Pricing Program, and, presently, federal COVID-19 relief.

These critical policies and funding are intertwined and highly interdependent. Just as when one leg of a stool is taken away causes the stool to collapse, **if one source of support for health centers weakens, the consequences create a ripple effect that harms the vulnerable populations that need regular access to critical preventive and chronic care to thrive.** For example, in areas with greater increases in federal health center support, patients with Medicaid are less likely to delay seeking care due to cost, are more likely to have a usual source of primary care, and are less likely to rely on the emergency department for care.[10] Federal COVID-19 relief has somewhat helped ensure health centers can maintain high-quality, services to patients with private insurance, public insurance (including Medicaid and Medicare) and the growing numbers of uninsured – all while serving on the frontlines of the COVID-19 pandemic, just as they have for previous public health emergencies and natural disasters.

Each of these policy and funding commitments can help rebuild our national resiliency and public health infrastructure through this pandemic and the next one. Investing in health centers, a proven response partner in public health crises, saves taxpayer dollars and reduces health care costs. These critical dollars will ensure that health centers maintain their operations and provide comprehensive medical care, behavioral health, dental care, pharmacy, and other supportive services to medically underserved people nationwide. In fact, a large body of research demonstrates health centers' ability to improve health, narrow disparities, and reduce costs.[11]

As the COVID-19 crisis continues, and health care systems must withstand and eventually rebuild in its wake, federal and state policy makers must preserve critical health center financing and policy solutions or risk the collapse of a cornerstone of the nation's health care services, our Community Health Centers.



Federal Health Center grants, Medicaid, savings from the 340B Drug Pricing Program, and federal COVID-19 relief are the most common and consistent forms of support across all health centers.

Sources

1 NACHC. Community Health Centers Are Economic Engines. December 2020. ***https://www.nachc.org/research-and-data/infographic-community-health-centers-are-economic-engines/***.

2 Note: Although these services serve as a foundation to value-based care models, they are generally not reimbursed by third-party insurance. Yue, D., et al. Enabling Services Improve Access To Care, Preventive Services, And Satisfaction Among Health Center Patients. Health Affairs. September 2019. 38(9). ***https://doi.org/10.1377/hlthaff.2018.05228.***

3 Nocon et al. Health Care Use and Spending for Medicaid Enrollees in Federally Qualified Health Centers Versus Other Primary Care Settings. AJPH. November 2016. 106(11): 1981-1989.

4 National Association of Community Health Centers. Community Health Center Chartbook, Figure 6-1. January 2021. ***https://www.nachc.org/research-and-data/research-fact-sheets-and-infographics/***.

5 Notes: National figure excludes health center Medicaid patients in territories and does not include Puerto Rico.
Sources: NACHC Analysis of (1) 2019 Uniform Data System (UDS). Bureau of Primary Health Care, HRSA, BPHC. (2) Kaiser Family Foundation. Monthly Medicaid and CHIP Enrollment, December 2019. (3) Puerto Rico estimate based on NACHC analysis of 2019 UDS and U.S. Census Bureau, 2019 American Community Survey 1-Year Estimates, Tables S2704 and S2701.

6 National Association of Community Health Centers. Health Centers are Providing Care to Growing Numbers of Patients with Complex Needs. May 2019. Available from ***http://www.nachc.org/research-and-data/research-fact-sheets-and-infographics/***

7 Includes only adult population ages 18 and older. 2014 Health Center Patient Survey. Bureau of Primary Health Care, HRSA, DHHS. Kaiser Family Foundation. Health Status Indicators. 2015. Note: Used for High Cholesterol, Hypertension, Diabetes, and Self-Reported Health Status. Centers for Disease Control and Prevention. Behavioral Risk Factor Surveillance System. BRFSS Prevalence Trends and Data. 2016. Note: Used for Asthma; estimate is the median crude prevalence rate for all U.S. States, Territories, and D.C.

8 A recent study commissioned by the Oregon Primary Care Association found that Federally Qualified Health Centers used 340B savings to provide additional services such as financial assistance, outreach programs, dental and behavioral health services. Study is available at ***https://rxxconsulting.com/projects/340b-drug-pricing-program-critical-for-oregons-health/***.

9 Data comes from the Bureau of Primary Health Care, Health Resources and Services Administration, Health Center COVID-19 Survey collected on February 5, 2021. 56-72% of federally-funded health centers responded every week. Survey data are preliminary and do not reflect all health centers. Some duplication of patients tested from week to week may occur. For more information, please visit ***https://bphc.hrsa.gov/emergency-response/coronavirus-healthcenter-data***

10 McMorrow, S., Zuckerman, S. Expanding Federal Funding to Community Health Centers Slows Decline in Access for Low-Income Adults. Health Services Research. 2014; 49(3): 992 – 1010.

11 National Association of Community Health Centers. Community Health Center Chartbook. January 2021 ***https://www.nachc.org/research-and-data/research-fact-sheets-and-infographics/***

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