North Carolina Community Health Center Association

2024 Annual Conference

Planning Your Finances and Outlook In Changing Times

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President
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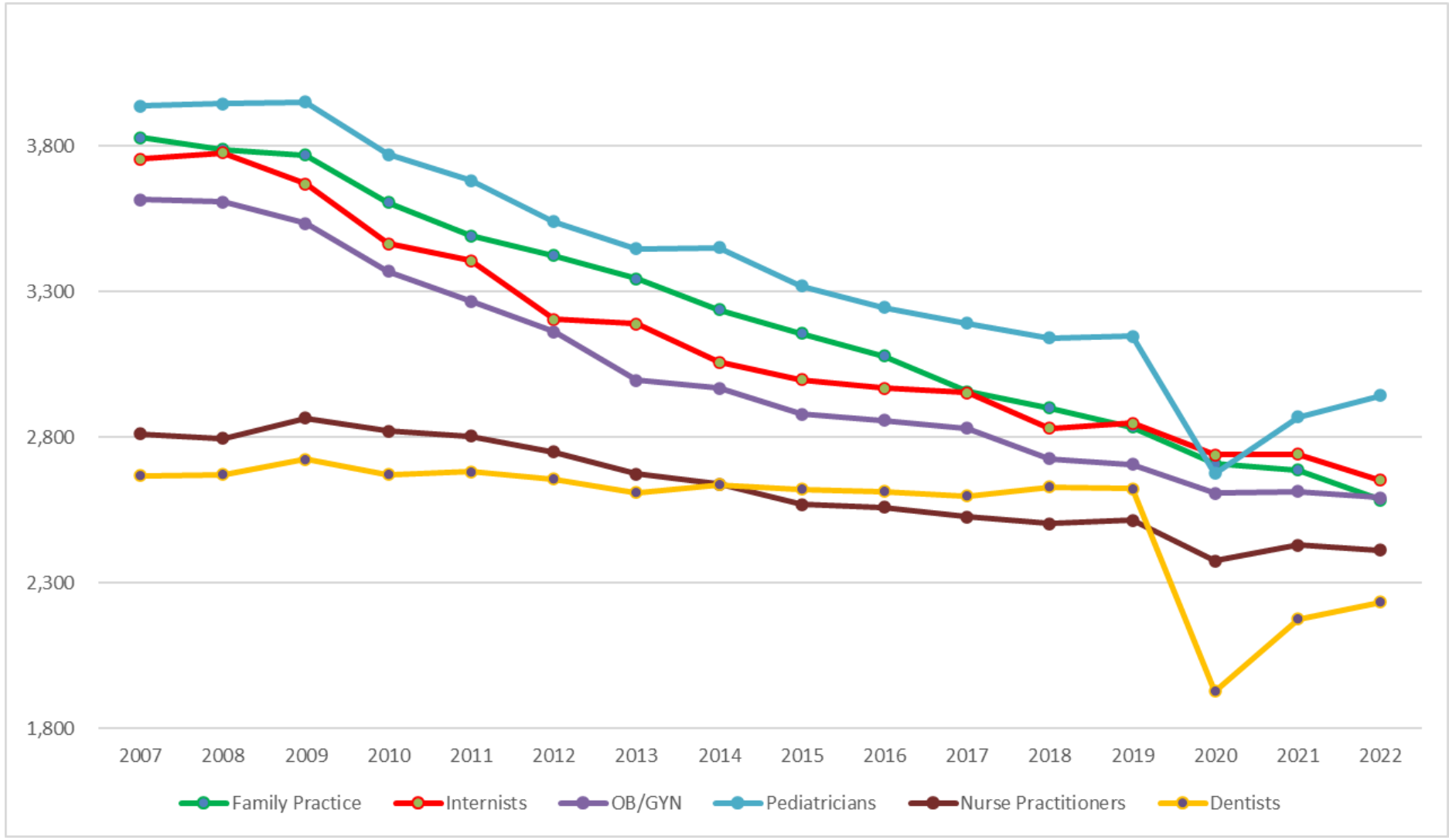
- Based in Los Angeles, CA
- A national healthcare business consultant with 35 years of experience
- Work with 100+ community health centers (CHCs) developing financial, operational, and strategic solutions
- Work on FQHC payment reform & alternative payment methodologies (APMs)
- Perform trainings for CHCs, state PCAs, the National Association of Community Health Centers as well as boards and foundations
- Board member of Westside Family Health Center in Culver City, CA

Current Health Center Financial Status

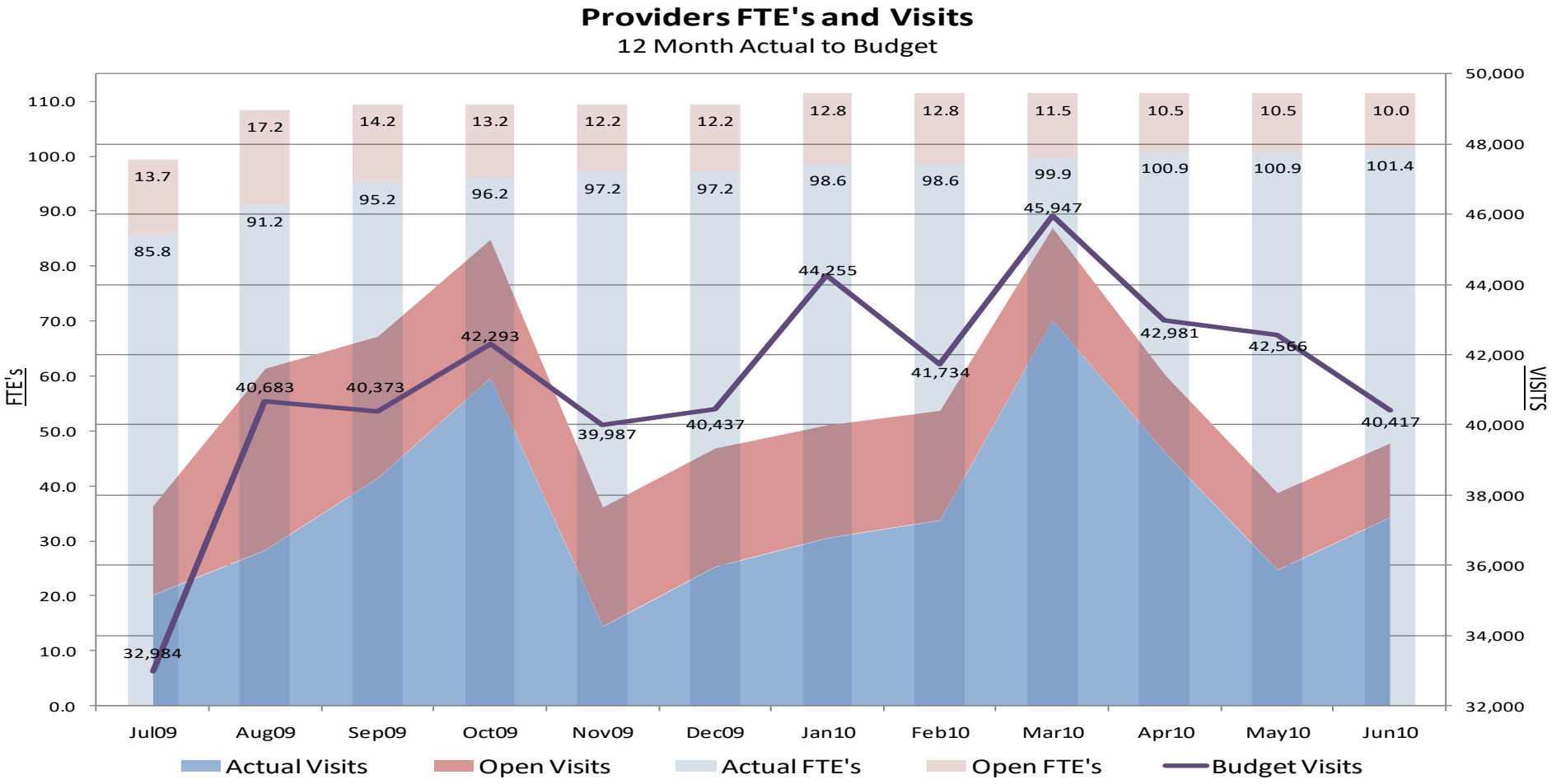
- End of COVID funding in March 2023. How has that revenue been replaced? Were the expense funded by ARPA one-time or ongoing?
- In North Carolina, impact of Medicaid expansion – visits converted from uninsured to Medicaid
- In North Carolina, rate increases from the APM (and cash flow from collecting previous receivable)
- Combination of previous three items leads to patient service revenue being a larger percentage of total, and grants being less
- Provider recruitment, retention, compensation and productivity trends are difficult
- Staffing costs have risen quickly
- 340b revenue may have become more important to the health center

PROVIDER CONSIDERATIONS

Provider Productivity From UDS
When Will We Hit Bottom?



Provider Vacancies Impact on Production



Note: The Visits only correspond to Billable Visits (Dept: 210 B.H., 220 Dental, 230 CAM, 240 Family Practice, 250 Internal Medicine, 280 OB/GYN and 340 Pediatrics)
Source: Finance Dept, Actual Visits: Provider Statistics Database, Open Visits: Provider Productivity Open FTE's Summary, Actual and Open FTE's: Productivity Budget, and Budget Visits: FY 2009 and 2010 Revenue Budget

Determining What Drives Visit Shortfall

- Provider staffing – actual monthly provider FTEs, vs budgeted FTEs
- Productivity – visits per provider FTE
- Demand - % of appointment slots filled with an appointment
- Operations – excessive cycle time, no show rate

Provider Incentive Compensation

- Recruitment tool – many other healthcare agencies offer incentive compensation
- Productivity improvement:
  - Top performers – reward system/retention tool
  - Persuadable middle – can potentially incentivize providers, including incentive to identify operational issues that slow them down
  - Lower end – don’t want more patients and/or not concerned with money

Bottom Line Impact of Productivity Increase

Revenue
- Net revenue per visit $120 x 100 = $12,000

Expense
- Provider and staff salary - $0
- Provider incentive compensation - $40 x 100 = $4,000
- Medical supplies - $6 x 100 = $600
- Office supplies - $3 x 100 = $300

Margin
- $12,000 – 4,900 = $7,100

Basic Productivity/Team Incentive Comp System

Annual Benchmarks 1.0 FTE	IM MD	Pediatrics MD	All midlevel's APRNs	WHC MD	BH Psychiatrist	BH MH clinicians (LCSW, LPC, LMFT) Including SBHC	Dental Dentist	Dental DH
CHC	2300	2700	2200	2500	2200	1300	1500	880
UDS National 2021	2743	2870	2430	2615	2297	1080	2176	995

Basic Productivity/Team Incentive Comp System - Payment

Providers:

$20.00 for each patient visits over established goal

Care Team:

25% of total provider incentive split between the care team. If a care team member is in 2 care teams only 1 payout. per person. (higher care team payout would prevail)

WHAT SHOULD WE PAY OUR LOWEST PAID STAFF?

Benchmarking Raises Against “Normal Raises”

	2019	2024	Current Market	Change	Change @ 3% COLA	$/Hour Over COLA	FTEs	Annual Cost Of Extra- Normal Increases
Call Center Rep	$ 16	$ 21	$ 20	31%	16%	$ 3.22	5	$ 33,465
Medical Receptionist	$ 18	$ 25	$ 20	39%	16%	$ 5.74	13	$ 155,220
Medical Assistant	$ 19	$ 28	$ 28	47%	16%	$ 8.80	18	$ 329,602
Registered Nurse	$ 37	$ 46	$ 46	24%	16%	$ 3.86	9	$ 72,308
Pediatrics MD	$ 90	$ 117	$ 117	30%	16%	$ 16.46		
Total								$ 590,594

Benchmarking Raises Against External Metrics

	2018	2019	2020	2021	2022	2023	2024
MEI	1.4%	1.5%	1.9%	1.4%	2.1%	3.8%	4.6%
CDCI/CPCA Avg Salary Increase	3.0%	3.0%	3.0%	3.7%	4.9%	4.6%	
CPI (Inflation)	1.9%	2.3%	1.6%	7.5%	5.6%	3.4%	

Staffing Costs – Pay Now or Pay Later

- Providers
  - ❑ Cost of provider vacancies from lost visits
  - ❑ Cost of provider turnover – recruitment cost
- Staff
  - ❑ Cost of vacancies – lowering visit and other health center productivity
  - ❑ Cost of turnover
    - Recruitment costs
    - Inefficiency of less experienced/less trained staff
    - Burnout of longtime

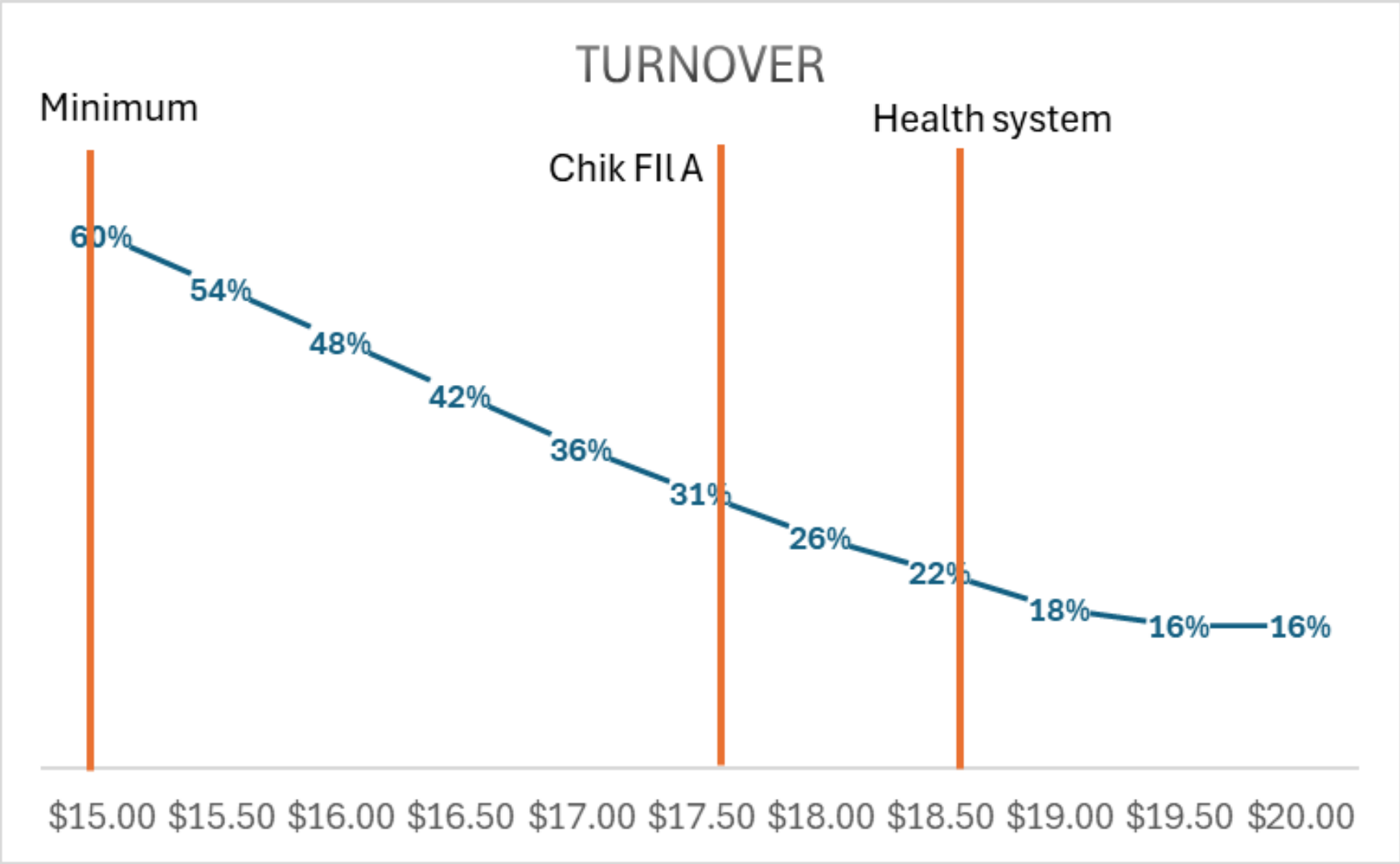
Cost of Provider Vacancies

	Current		Provider Vacancies
Provider FTEs	10		8
Visits/FTE	3,200		3,200
Total Visits	32,000		25,600
Net Revenue/Visit	$ 155.00		$ 155.00
Patient Service Revenue	$ 4,960,000		$ 3,968,000
Grant & Other Revenue	$ 1,300,000		$ 1,300,000
Total Revenue	$ 6,260,000		$ 5,268,000
Provider Compensation	$ 1,950,000		$ 1,560,000
Variable Staff Compensation	$ 1,200,000		$ 960,000
Fixed Staff Compensation	$ 1,600,000		$ 1,600,000
Total Compensation	$ 4,750,000		$ 4,120,000
Variable OTPS	$ 600,000		480,000
Fixed OTPS	$ 780,000		$ 780,000
Total OTPS	$ 1,380,000		$ 1,260,000
Total Expense	$ 6,130,000		$ 5,380,000
Net Income	$ 130,000		$ (112,000)

Cost of Provider Turnover

	CHC	California
Recruitment Cost	$ 25,000	$ 54,000
Average length of vacancy	3.5 months	6.9 months
Annual Productivity	3,500	3,400
Lost visits	1,021	1,955
Net Revenue per visit	$ 134.60	$ 170.00
Lost Revenue	$ 137,404	$ 332,350
Provider Comp saved (196K & 210 K, 22% fringe)	$ 69,686	$ 147,315
Marginal Cost (revenue lost)	$ 67,718	$ 185,035
Months to full ramp up	6	6
Lost 20% visits in 6 months (incl credentialling)	350	340
Lost Revenue	$ 47,110	$ 57,800
Total Cost for one provider turnover	$ 139,828	$ 296,835

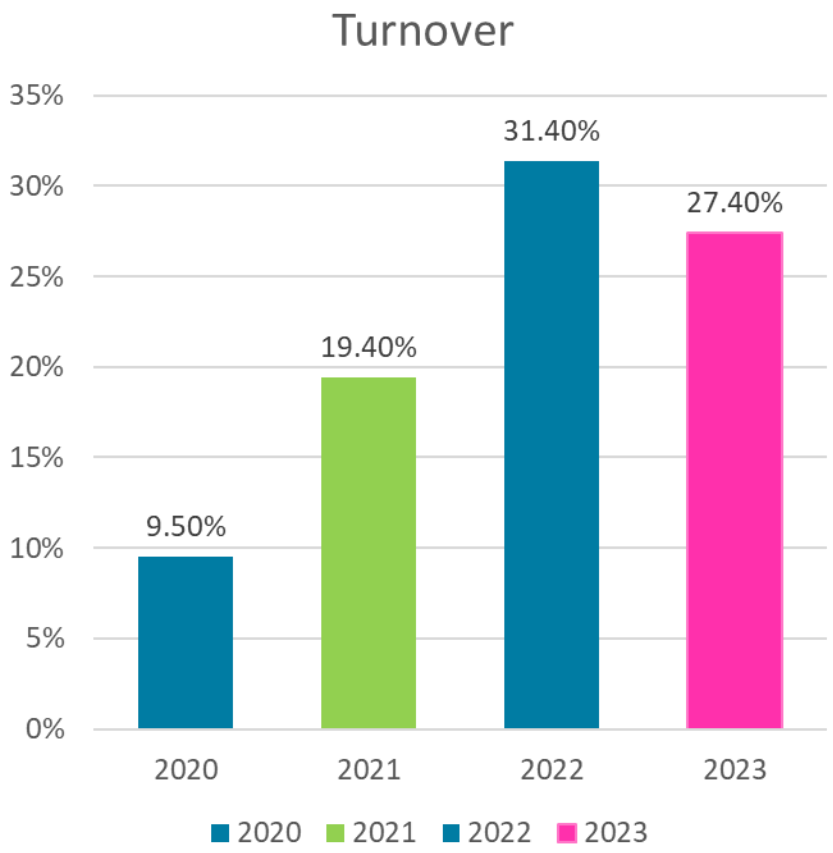
Relationship Between Lowest Pay & Turnover

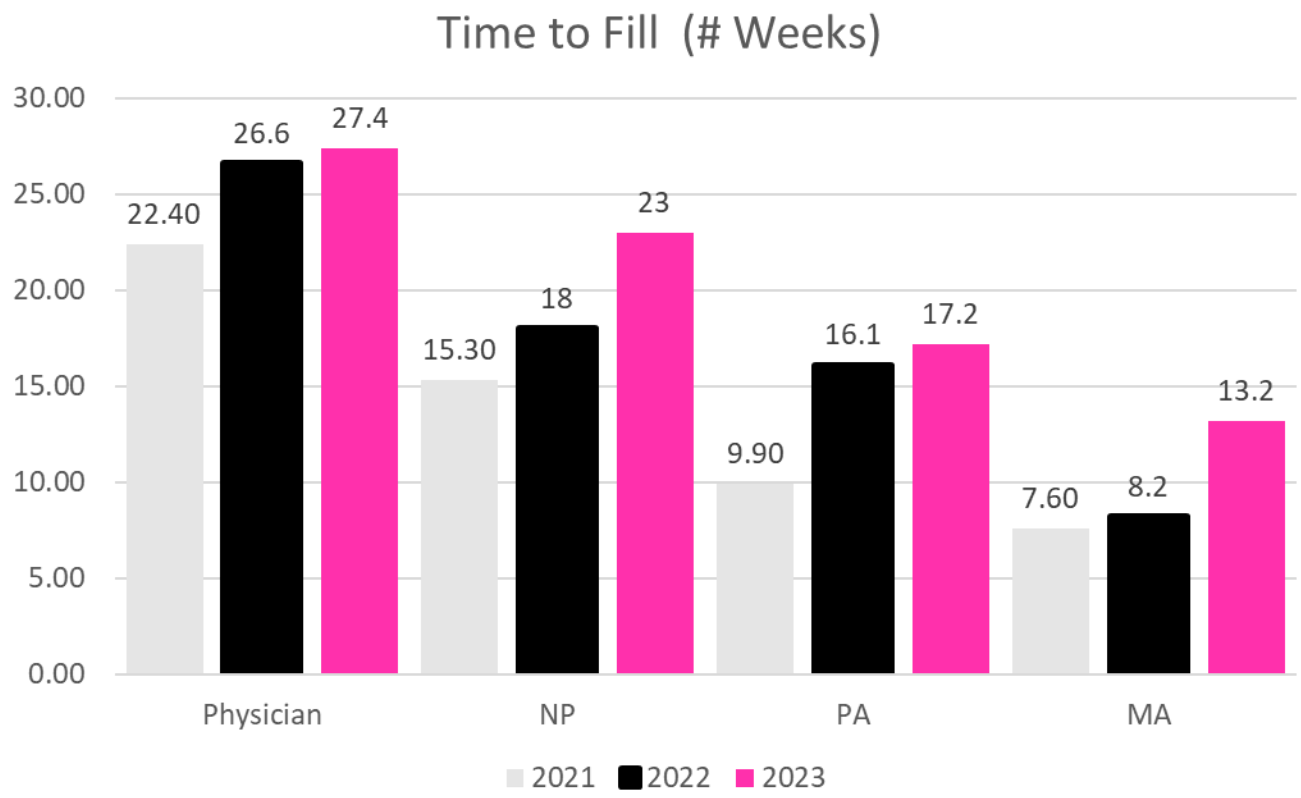


Relationship Between Lowest Pay & Turnover

Rate Per Hour	Turnover	FTE Pay Impacted	$ Cost of Increase	Net Revenue Per Visit	Visits Needed To Cover Increase	FTE Turnover Reduction	Breakeven Turnover Impact
$ 15.00	60%	20		$ 180.00			
$ 15.50	54%	20	$ 20,800	$ 180.00	116	1.2	97
$ 16.00	48%	20	$ 20,800	$ 180.00	116	1.2	97
$ 16.50	42%	20	$ 20,800	$ 180.00	116	1.2	97
$ 17.00	36%	20	$ 20,800	$ 180.00	116	1.2	97
$ 17.50	31%	20	$ 20,800	$ 180.00	116	1	116
$ 18.00	26%	20	$ 20,800	$ 180.00	116	1	116
$ 18.50	22%	20	$ 20,800	$ 180.00	116	0.8	145
$ 19.00	18%	20	$ 20,800	$ 180.00	116	0.8	145
$ 19.50	16%	20	$ 20,800	$ 180.00	116	0.4	290
$ 20.00	16%	20	$ 20,800	$ 180.00	116	0	N/A

Challenges In Recruitment/Retention





Source: CPCA 2023 Compensation & Benefits Survey

Speeding The Hiring Cycle

Req	Job Title	Location	Candidate	Recruiter	Former Employee's Name	Supervisor	Req Date	Offer Date	Source Time	Background	Bk Time	Physical	Phy Time	Hire Date	Status	Decline Reason	Days to Hire
3577	Scheduling Coordinator	Administration	Minnie Mouse	Mary	New	Gloria Gonzalez	9/7/2018	9/13/2018	6	9/26/2018	13	10/22/2018	26	10/25/2018	Hired		48
3695	Pharmacy Tech	East LA	Snow White	Anna	New	Maria Gomez	9/12/2018	9/25/2018	13	N/A	N/A	N/A	N/A	9/25/2018	Transfer		13
3049	Medical Assistant	Echo Park	Winnie-the-Pooh	Julie	Jack Hastings	Laura Brighton	7/6/2018	8/28/2018	53	9/11/2018	14	9/18/2018	7	9/20/2018	Hired		76
3576	Dental Assistant	Hollywood	Buzz Lightyear	Julie	Craig Burns	Donna Doog	5/4/2018	9/5/2018	124	N/A	N/A	N/A	N/A	N/A	Declined	Took too long to hire	139
3569	Podiatrist	Echo Park	Pluto	Ellen	Dick Clark	John Doe	8/3/2018	8/21/2018	18	9/12/2018	22	9/18/2018	6	9/20/2018	Hired		48
3255	Senior Data Analyst	Administration	Mulan	Anna	Woody Smith	Arne Mendelson	7/1/2018	8/22/2018	52	9/5/2018	14	9/17/2018	12	9/20/2018	Hired		81
3252	Sr. Accountant	Administration	Elsa Princess	Mary	Harry Styles	Dennis Trent	8/23/2018	8/24/2018	1	9/4/2018	11	9/17/2018	13	9/20/2018	Hired		28
3314	Patient Services Representati	Echo Park	Mickey Mouse	Julie	Mary Contrary	Mike Johson	8/7/2018	8/28/2018	21	9/14/2018	17	9/18/2018	4	9/20/2018	Hired		44
3544	Patient Care Advocate	East LA	Olaf	Anna	Jackie Robinson	Janet Snoden	7/1/2018	9/5/2018	66	9/11/2018	6	9/18/2018	7	9/20/2018	Hired		81
3301	Medical Assistant	East LA	Cheshire Cat	Anna	New	Janet Snoden	7/1/2018	8/8/2018	38	8/28/2018	20	9/6/2018	9	9/20/2018	Hired		81
4168	Physician OB/GYN	East LA	Peter Pan	Anna	New	John Doe	7/1/2018	8/16/2018	46	N/A	N/A	N/A	N/A	N/A	Declined	Pay rate	46
4106	Physician (Family Medicine)	Echo Park	Lighting McQueen	Anna	New	John Doe	7/1/2018	10/6/2018	97	N/A	N/A	N/A	N/A	N/A	Declined	Pay rate	103
3315	Patient Services Rep	Hollywood	Captain Hook	Ellen	New	Rachel Lima	7/1/2018	10/8/2018	99	N/A	N/A	N/A	N/A	10/8/2018	Transfer		99
	Physician (Family Medicine)	Echo Park	James P. Sullivan	Julie	New	John Doe	7/1/2018	10/9/2018	100	N/A	N/A	N/A	N/A	N/A	Declined	Location/commute	62
3298	Medical Assistant	Eagle Rock	Jack Skellington	Mary	New	Laura Brighton	7/1/2018	10/8/2018	99	N/A	N/A	N/A	N/A	10/8/2018	Transfer		1565
3253	Data Analyst	Administration	Pochahontas	Mary	Jane Smith	Arnie Mendelson	7/1/2018	9/5/2018	66	9/13/2018	8	10/9/2018	26	10/11/2018	Hired		37
3578	Executive Assistant	Administration	Eeyore	Julie	Tinker Bell	John Doe	8/31/2018	9/13/2018	13	9/26/2018	13	10/9/2018	13	10/11/2018	Hired		41
3300-1	Medical Assistant	East 3rd	Genie	Ellen	New	Janet Snoden	9/7/2018	9/10/2018	3	9/18/2018	8	9/28/2018	10	10/11/2018	Hired		35
3310-1	Medical Assistant	Echo Park	Gaston	Mary	New	Laura Brighton	7/1/2018	9/7/2018	68	10/4/2018	27	10/8/2018	4	10/11/2018	Hired		37

Given the current state of the labor market, health centers cannot afford to be slow to the market. Applicants apply to multiple jobs. Those who interview, or even who accept the health center's offer, appear to consider themselves free agents until the day they start, so the center must move quickly.

FUTURE ACTIVITIES

Merger & Acquisition – Health Center Advantages

- Existing patients, visits, site, operations (but not necessarily turn-key)
- To add a service site
- To bring in a new provider(s)
- Experienced provider in private practice has no illusions about the relationship between their productivity and compensation

Merger & Acquisition – Health Center Advantages

- To bring in a new service
- New site can be profitable
- Opportunity to expand patient platform through inreach and outreach
- Better cover fixed costs
- Pressure from local partners
- Because it's there for the taking…to preclude competitors or the disappearance of the services

Why Would Another Provider Want to Be Taken Over By a Community Health Center?

- Losing money on the current practice
- Experiencing decreasing reimbursement
- Experiencing decreased compensation
- Trying to monetize assets (especially at retirement)
- Lower administrative burden, and someone else is now in charge of operations
- Don’t have to deal with finding employee health insurance
- No hospital call
- May have over-extended expansion and needs entity with strong balance sheet to float capital

What Makes It Work?

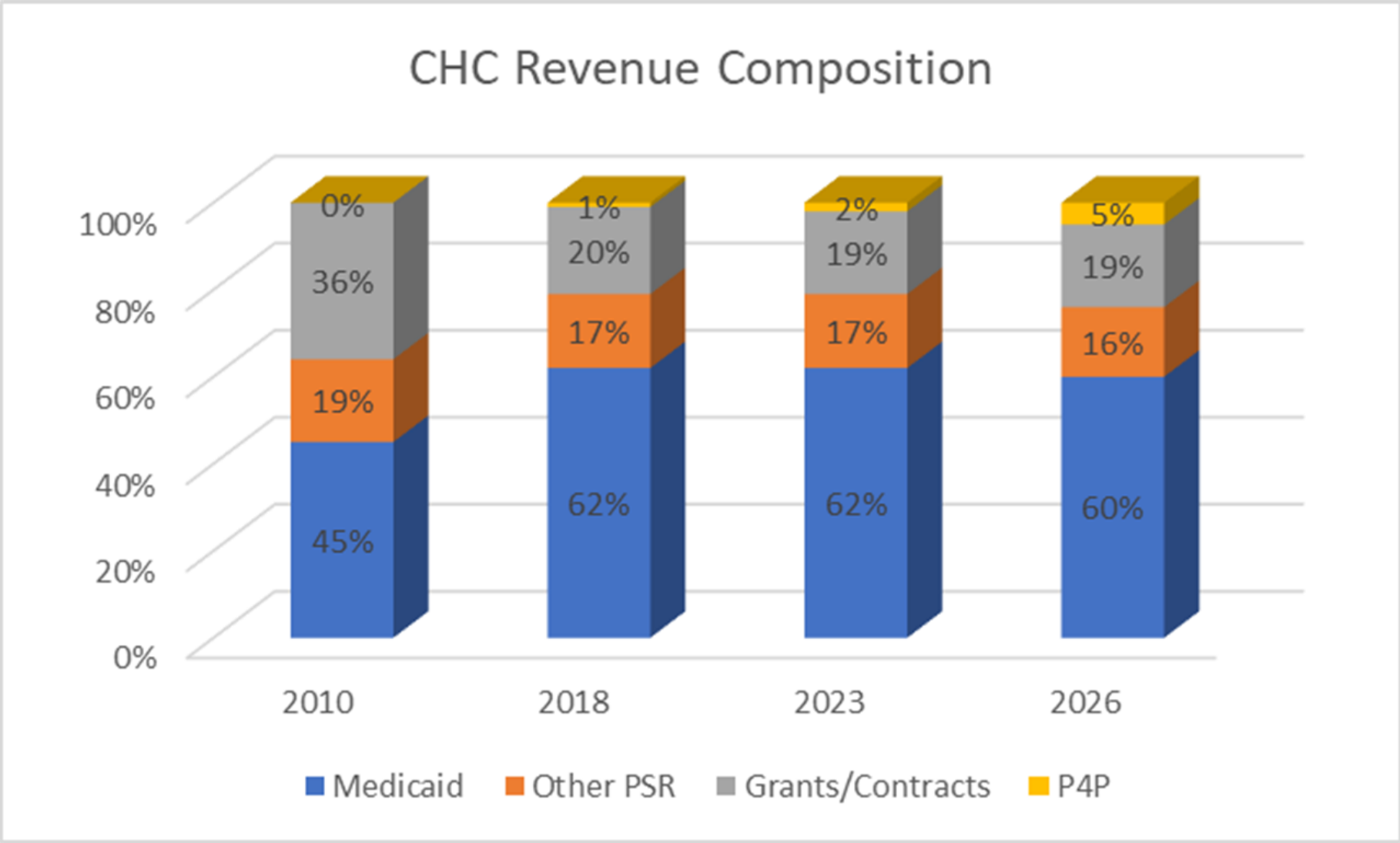
- Medicaid – other providers are paid on the State Medicaid fee schedule, which is substantially lower than PPS. For one FQHC acquiring another, may be able to bill at the higher PPS rate
- More sophisticated billing, collection, and administrative systems can help practice/organization operate better
- FTCA removes some portion of operating expense
- Economies of scale
- New eligibility for 340b

FQHCs receive benefits that many other providers do not

New/Expanded Lines of Business

- Pharmacy – maximizing 340b. However, this program may be under medium/long-term threat
- Specialty services – addresses needs in the community. However, may be more financially challenging
- Maximizing Medicare bonus payments
- PACE – very profitable, but also capital intensive

Value Based


CHC Revenue Composition
100%
80%
60%
40%
20%
0%
0%
36%
19%
45%
1%
20%
17%
62%
2%
19%
17%
62%
5%
19%
16%
60%
2010
2018
2023
2026
Medicaid
Other PSR
Grants/Contracts
P4P

Calculating Potential Revenue in Value Based

	2020 Rate	Incentive Scoring Threshold	Incentive Scoring Benchmark	Incentive Score	Double Weighted Measure (x 2)	Total
Double Weighted HEDIS Payment Measures	**CHC Score**	**Minimum Threshold**	**Maximum, 95th Percentile**			
Controlling High Blood Pressure	62.79%	20.61%	68.09%	9	18	**18**
Well Child Visits (Years 3-6)	66.75%	50.50%	78.18%	6	12	**12**
Childhood Immunization	26.15%	15.50%	53.69%	3	6	**6**
Timeliness of Pre Natal Care	80.32%	77.97%	92.45%	2	4	**4**
Cervical Cancer Screening	52.13%	53.85%	72.98%	0	0	**0**
Diabetes Care A1c < 8	36.55%	40.91%	65.15%	0	0	**0**
Normal Weighted HEDIS Payment Measures						
Well Child Visits, first 15 months	53.70%	30.00%	60.33%	8		**8**
Adolescent Well Child Visit	48.51%	28.57%	61.22%	6		**6**
Chlamydia Screening	75.18%	62.70%	85.71%	5		**5**
Immunizations for Adolescents	50.68%	32.79%	67.47%	5		**5**
Weight Assessmt/Counseling Child/Adolescent	63.69%	45.63%	88.34%	4		**4**
Postpartum Care	68.09%	61.54%	84.15%	3		**3**
Asthma Medication 5-64	62.07%	57.14%	90.50%	2		**2**
Anti-Depressant Med Mgt	34.71%	39.02%	63.22%	0		**0**
Breast Cancer Screening	51.36%	54.72%	79.17%	0		**0**
Diabetes- Eye Exam	40.77%	46.01%	70.00%	0		**0**
			Total Score	**53**	**20**	**73**
					Total Potential Score	**220**
					HEDIS Performance Score	**33%**

Calculating Potential Revenue in Value Based

2020 Actual Results				
MCO incentive report showed CHC in the 74th percentile of FQHCs, highest HEDIS score was 57.73%				
A	B	C (Ax B)	D (MCO Incentive Pool/ C)	E (C x D)
HEDIS Performance Score	Medicaid Membership	Member Points	Dollar Value/ Member Points	Incentive Payment
33.18%	27,392	9,089	$50.70	$460,812.30
			Total Member Mths	329,152
			PMPM Equivalent	$1.40
			Clinic Group Median	$ 0.91
			Clinic Group Peer Group Max	$ 2.44

Calculating Potential Revenue in Value Based

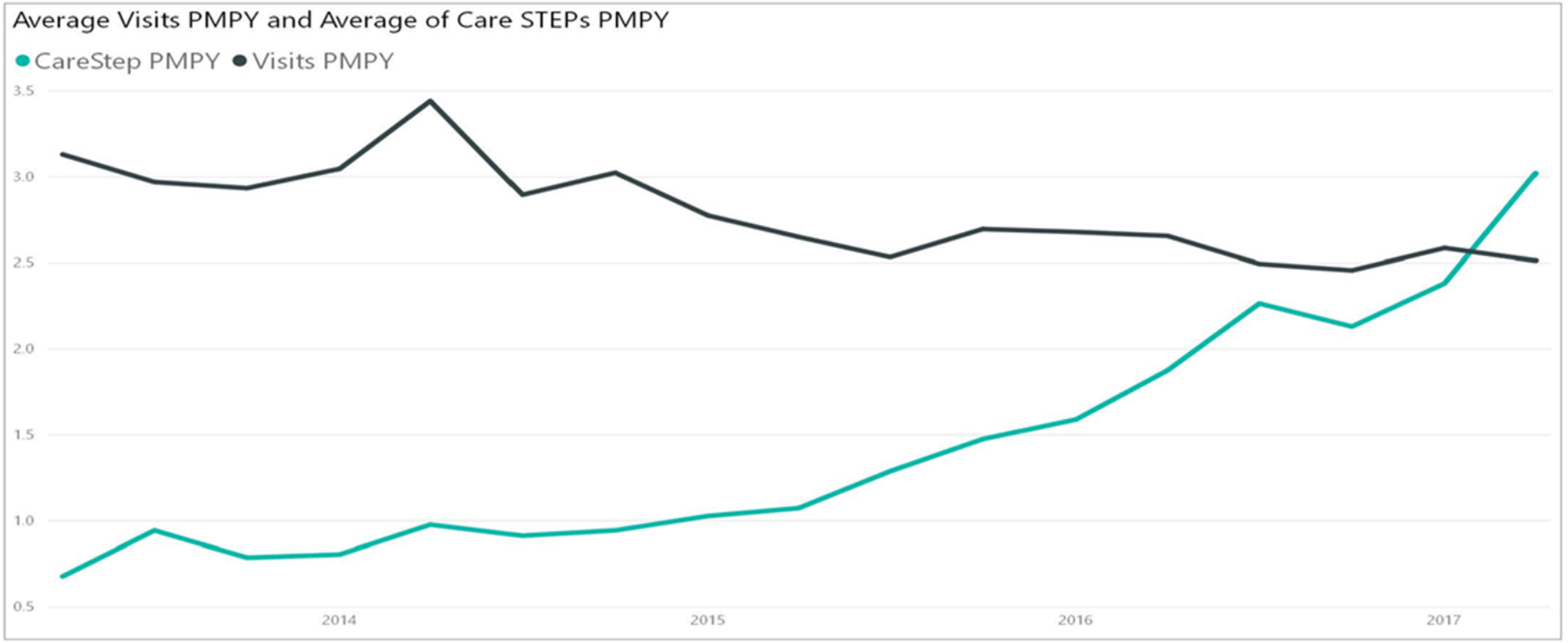
Projected Scenarios				
Current MCO incentive bonus pool is $22,000,000				
A	B	C (Ax B)	D (CHC Incentive Pool/C)	E (C x D)
HEDIS Performance Score	Medicaid Membership	Member Points	Dollar Value/ Member Points	Incentive Payment
	As of 7/15/22		As of 7/15/22	
40.0%	32,545	13,018	$43.02	$560,000
50.0%	32,545	16,273	$43.02	$700,000
58.0%	32,545	18,876	$43.02	$812,000
85.0%	32,545	27,663	$43.02	$1,190,000
100.0%	32,545	32,545	$43.02	$1,400,000

Alternative Payment Methodology (APM)

Medicaid Patients		10,000
Visits Per Patient Per Year		3
Total Medicaid Visits		30,000
Medicaid Rate per Visit	$	150.00
Medicaid Revenue	$	4,500,000
Medicaid Member Months (10,000 x 12 months/year)		120,000
APM Rate Per Member Per Month	$	37.50

Care Transformation Under APM

CareStep PMPY Vs Utilization PMPY



How the APM Can Help Ensure CHC Financial Sustainability

- Memorializes current Medicaid revenue streams against decreasing provider FTEs and productivity
- Decreased reliance on the billable visit, which is a point of contention between clinical, operations and finance
- Removing focus of billable visits (though still must focus on panel size of assigned patients/members) may make providers happier and increase retention
- Redefining “provider” increases patient access, and allows work to be done by lower-paid, easier to recruit staff

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