Strategies for Tough Economic Times

Primary Care Associations and health centers are undoubtedly feeling the impact of the economic crisis. During the recent Learning Team call, participants discussed how PCAs and health centers can weather the recession and protect existing assets. Health center services are especially in demand during tough economic times. Patients keep coming, and many are newly uninsured.

Surviving the Economic Crisis

At the same time that demand for health center services is increasing, funding is threatened. In some states, promised state funds have been withdrawn due to the economic downturn. Many PCAs fear that money will be re-appropriated within their states or in programs at the Federal level. After the recent election, there is also fear that hard-earned state legislative relationships will change, which could diminish funding opportunities. Another ongoing concern is health centers’ ability to recruit and retain quality staff with diminished resources.

However, crisis can also be a motivating force, inspiring innovations and alternative strategies. Below are methods that some PCAs have used to deal with the economic challenges or to tap into hidden opportunities present in times of change.

- **Re-energize Promotion Efforts:** In an effort to counteract the threat of reduced funding, PCAs can demonstrate the economic benefits of the health safety net by emphasizing cost-benefit analysis, efficiency in health care, and return-on-investment to state legislators who may be uncertain about the value of CHCs. CHCs are a viable, sustainable solution to the health care crisis that can support all members of a community, not just the poor. For instance, one Primary Care Association recently presented at a Governor’s Health Care Round Table, “selling” the long-term benefits, cost-effectiveness, and economic development aspects of health centers, while making it clear that centers are at capacity and in danger of losing their practitioners to higher-paying hospitals. They have now been promised funding from a conservative legislator after eight years of communicating the need. The economic crisis may have crystallized the urgency of the message combined with the years of hard work that went into this approach.

- **Frame Funding Requests as a Solution to the Current Circumstance:** By connecting the needs of PCAs and health centers to the present economic landscape, PCAs can show how CHCs provide a part of the solution to the current economic circumstances. This connection provides the link that makes investing in the safety net at this time make sense. For instance, “In an economic crisis, we want to be prepared to support the people who need it” or “People have already lost jobs and houses – let’s protect their health care access.”

- **Investigate Unexpected Partners:** Other organizations have emerged to help CHCs maintain their funding. Hospitals share the pain of increased uninsured and may be more receptive to supporting CHCs if it will ease their burden. Some PCAs are successfully pursuing charitable contributions from businesses and insurance companies by emphasizing economic impact of CHCs on communities. For instance, the HealthAlliance Hospital in Massachusetts sold a building to their local Community Health Connections CHC for $1 in

Prepared by Integrated Work Strategies
in conjunction with MSCG

December 2008
April. The hospital’s CEO explained that "Our long-standing relationship with CHC Family Health Center has enhanced HealthAlliance Hospital's ability to provide health care access to the residents of Fitchburg and the surrounding communities … we are pleased to enter into a new agreement that will continue this long-term commitment."

- **Trade Travel for Technology**: Technology can reduce the time and expense of traveling to meetings. The economic crunch may be the impetus needed to implement remote meeting access in your organization. While face-to-face are preferable for many interactions, recurring committee, Board, or coalition meetings can occur via video and teleconferencing. Some PCAs condensed their Board meetings or membership meetings from 4-5 times per year to 1-2, or combined meetings that were previously held separately. They discovered an added benefit: reduced amount of staff time spent traveling. One popular webinar site is Webex, and another is GoToMeeting.

**Protecting Assets**
How can PCAs protect valuable assets and find new ways of generating income?

- **Diversify Assets and Mitigate Risk**: To avoid overextending financial resources, goals can be pursued gradually and conservatively. Many PCAs put funds into multiple banks and stagger CDs to optimize and control maturation rates. Some invest in non-depreciable assets, such as land, even if they cannot currently afford construction. Other CHCs have pooled resources and formed holding companies so that assets are “still on our books but not on our bottom line.”

- **Offer a Full Range of Compensation**: Since CHCs are often unable to provide competitive salaries for medical staff, what other benefits and perks can substitute for a high salary? Participants suggested providing wraparound liability insurance, bonuses, regular working hours, assistance with moving expenses, and assistance with loan repayment. Younger doctors in particular are attracted to generous policies on work-life balance, as well as electronic health records. The National Network for Oral Health Access has compiled information to show prospective dentists how a lower salary with greater benefits can still be competitive. In addition, many practitioners are attracted to the mission-driven aspect of CHCs and the community-focused work environment. Being part of a national movement of CHCs can be a great motivating factor.

- **Create Staff Incentive Plans**: Some PCAs and CHC have started reward programs for innovative employees who help save or increase funds. Options include flat fee incentives, percentage-of savings plans, professional development opportunities, public recognition, time off, and other things employees value. Telecommuting, where appropriate, can be both a reward and a source of financial savings.
Expansion Possibilities
As the demand for CHCs increases, some groups may be in a position to expand. What options are available for capital development?

- **Energy Savings Performance Contracts**: With the combined interest in facilities expansion and cost savings, energy savings performance contracts (ESPC) that create energy improvements with no initial capital outlay may be an option for community health centers. Aging, inefficient equipment can be replaced with new energy-efficient technologies with no capital investment, as the loan to cover the improvements is repaid with the dollar value of energy saved, and the contracting company assumes the risk if the savings are not realized. Improvements by retrofitting companies cut energy consumption and produce long-term savings. School systems and hospitals across the country have been saving of millions of dollars through energy performance contracts.

While the participants on the call did not know of specific new construction or retrofits completed with an energy performance contract, they speculated that some CHCs may be working on this locally. Interestingly, one study reported that the motivation to engage in an energy performance contract was primarily economic. Nearly half said energy efficiency improvements were mostly for cost savings. Only 13 percent said the environment was the motivator behind the quest for saving energy. Any new construction in your state may also benefit from seeking grants for green building, or working with an energy contracting company. Additional resources on this topic are below:
  - The Kresge Foundation sponsors a green building initiative
  - School systems have many resources around financing energy efficient buildings
  - Honeywell describes the energy performance contracting process
  - One CHC, La Maestra, worked with an architect to incorporate green building into their new facility
  - An article from the Green Building Initiative in New York describes the ins and outs of green building

- **New market tax credit (NMTC) loans for CHC capital projects.** The U.S. Treasury’s New Market Tax Credit Program is designed to increase the amount of investment capital in low-income urban and rural communities, in both for-profit business and non-profit. It provides private investors with federal income tax credits in return for community development loans, which are brokered through Community Development Entities (CDE) such as for-profit banks and nonprofit lenders. These funds are often used to finance the purchase, construction or renovation of real estate. The qualified organization is able to secure development funds at a reasonable rate with flexible terms, such as below-market interest rates, longer amortizations, and higher loan-to-value ratios. This is particularly helpful when the organization has difficulty in securing a loan due to risks inherent in the community. For instance, some groups have successfully used NMTC funds to purchase and clean-up environmentally damaged areas (“brownfields”) for new buildings. The
NMTC program was boosted by the recent Wall Street bailout, which modified and extended certain tax statutes. Some resources are below:

- **Capital Link** recently received $15 million allocation for the restoration of health centers damaged in the 2005 hurricanes
- **Self Help**, a non-profit lender, describes the NMTC loan program and how they use it
- **CDR Nebraska** sheds light on loan eligibility requirements
- **The Urban Land Institute** describes how Massachusetts’ Holyoke Health Center used NMTC to help finance a new facility