

## **California Health Facilities Financing Authority (“CHFFA”)**

### **Agenda Item 4 -- Adult Day Health Care Centers**

**July 28, 2011**

With the passage of the 2011-12 budget, the State of California eliminated the Adult Day Health Center (ADHC) program funding effective September 1, 2011, affecting roughly 300 centers in California (serving over 35,000 people). ADHCs will no longer be eligible for coverage under the Medi-Cal program. As of June 30, 2011, there are currently four ADHC HELP II borrowers who may be impacted by this budget cut. The outstanding balance of these loans is approximately \$1.1 million and the borrowers are presently current on their payments.

Though ADHC funding has been eliminated, the state Legislature recently passed AB 96 (Blumenfield-Woodland Hills) creating a new \$85 million dollar program called Keeping Adults Free from Institutions (KAFI). KAFI is designed to provide services in the community in the hopes of preventing institutionalization. Organizers are hoping to get KAFI established as quickly as possible to minimize any disruption in services resulting from the elimination of ADHC as a Medi-Cal benefit. Unfortunately, the bill prohibits the KAFI program from being implemented until federal approval is obtained. As of July 14, 2011, AB 96 was presented to Governor Brown for review and no decision has yet been made.

The Department of Health Care Services (DHCS) is working on the premise that existing funding will be eliminated and have plans underway to move people out of ADHCs and into other state programs, such as In-Home Supportive Services or the case management services in Medi-Cal managed care plans. According to DHCS, KAFI's \$85 million dollar funding will be dedicated to actively working with ADHCs to help with client placement and for the provision of transitional services. DHCS plans to first address those most at-risk for institutionalization.

Staff consulted with each of CHFFA's four outstanding ADHC borrowers to get a sense of their plans for response to the state's elimination of ADHC funding. Each facility expressed their optimism the new KAFI funding source will be available before the Medi-Cal funding expires. At least one of the facilities is potentially at risk for closure and all of the facilities have been increasing fundraising efforts for private loans, grants and donations. One of the facilities has applied for other funding sources including a line of credit and a mortgage refinance.

Staff completed a financial analysis of the four borrowers, which is attached for your review. Two of the four borrowers have satisfactory financial ratios (Alzheimer's Services of the East Bay, Incorporated and Humboldt Senior Resource Center, Incorporated), while two of the borrowers have marginally acceptable ratios (Acacia Adult Day Services and Innovative Health Care Services). Fortunately, Acacia Adult Day Services only owes the Authority approximately \$29,000 on its HELP II loan. Staff will continue to monitor and follow-up with the four HELP II borrowers moving forward to insure that the HELP II payments continue to be made on a timely basis. If there are any future issues or concerns with the ADHC borrowers, staff will continue to inform the Board.

**California Health Facilities Financing Authority (“CHFFA”)**  
**Agenda Item 4 -- Adult Day Health Care Centers**  
**Financial Analysis of the four ADHC HELP II borrowers**  
**July 28, 2011**

Name	HELP II LOAN AMOUNT	Medi-Cal %	Debt Service	Current Ratio	Operating Margin	Net Assets
Acacia Adult Day Services	\$ 29,119.00	62%	1.05	1.45	-1.39	\$1.12 million
Alzheimer's Services of the East Bay, Incorporated	\$ 243,029.00	54%	3.21	2.02	1.48	\$1.06 million
Humboldt Senior Resource Center, Incorporated	\$ 585,995.00	46%	2.45	1.63	6.78	\$4.87 million
Innovative Health Care Services	\$ 239,831.00	82%	1.38	0.56	-7.2	\$194,000.00