

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (the “Authority”)

Clinic Lifeline Act of 2017 (the “Act”)

Information Item

October 26, 2017

BACKGROUND:

Senate Bill 97 (chaptered on July 17, 2017) authorized the Authority to approve grants of up to twenty million dollars (\$20,000,000) from the HELP II Loan Program subfund account. The intent of the Lifeline Grant Program (“Program”) is to assist small and rural health facilities, including community-based clinics, that may be adversely affected financially by a reduction or elimination of federal government assistance and that have little to no access to working capital.

Grants must be awarded by June 30, 2020 and disbursed by June 30, 2022. Any funds not disbursed by June 30, 2022 will revert to the HELP II Loan Program subfund account. The Act requires the Authority to develop evaluation criteria for selecting grants as well as the process for awarding grants, and permits the Authority to adopt emergency regulations.

Webinars were held on September 14, 2017 and October 3, 2017 to update stakeholders on the development of the Program and provide an opportunity for feedback. There was a combined total of 79 attendees representing various health facilities, including group homes, clinics, district hospitals, and health associations. The Authority received various comments and questions regarding the proposed eligibility, use of funds, and funding distribution, which have been incorporated in the regulations overview of this staff report.

REGULATIONS OVERVIEW:

MAXIMUM GRANT AWARD

- Up to \$250,000 for an eligible health facility.

ELIGIBILITY

- An eligible health facility (“Facility”) must meet at least one of the following requirements under the Act:
 - 1) Operated by a tax-exempt nonprofit corporation that is licensed to operate the health facility by the State of California, and the annual gross revenue of the health facility does not exceed ten million dollars (\$10,000,000).
 - 2) Operated by a tax-exempt nonprofit corporation that is licensed to operate the health facility by the State of California, and the health facility is located in a rural medical service study area (“MSSA”), as defined by the California Healthcare Workforce Policy Commission.
 - 3) A clinic operated by a district hospital or health care district.

- Additionally, a Facility (excluding a Facility located in a rural MSSA area) shall meet all of the following:
 - 1) The Facility must provide medical services.
 - Medical services means those services provided by a health facility to persons who remain less than 24 hours for prevention, diagnosis, or treatment of illness or injury including advice, therapeutic services, outreach, emergency first aid, mental health screening, and women’s health services, including family planning, information, and referral services.
 - 2) 50% or more of the patients served must participate in Medi-Cal.
 - 3) The Facility’s primary patients served are identified as vulnerable populations.
 - Vulnerable populations includes indigent, underinsured, uninsured, underserved, and undocumented immigrant populations.

A Facility located in a rural MSSA area only has to provide medical services.

Approximately 70% of stakeholders that participated in the polling question indicated that their Facility or organization provides services to 50% or more patients that participate in Medi-Cal.

EVALUATION CRITERIA

Applications shall be scored on the following four evaluation criteria (100 points possible):

1. A description of the Facility and services the Facility provides. **(25 Points)**
 - a. Describe the Facility, including whether the Facility a Federally Qualified Health Center, in a rural MSSA area, length of time the Facility has been providing services, geographical location of the service area, and services provided. **(6 Points)**
 - b. Facility attributes and services that differ from other facilities in the service area and meets the social, cultural, and economic needs of the population served. Examples may include the following: diverse employees, services provided in a language other than English, a mobile unit(s) to serve homebound patients, shelter referrals for domestic violence victims, resources for the homeless, and sanctuary zone protections for undocumented immigrants. **(9 Points)**
 - c. Current health care services in the Facility’s service area that would be financially affected if federal funding is reduced or eliminated. Describe any health care needs in the Facility’s service area that the Facility would be unable to meet. **(10 Points)**

2. A description of how the Facility will utilize grant funds and how the grant funds will contribute toward the continuation of the services currently provided at the Facility. **(20 Points)**
 - a. How grant funds will be used, including innovative use of grant funds to generate revenue for the Facility's long-term sustainability. **(10 Points)**
 - b. How grant funds will affect the accessibility and availability of health care services the Facility provides. **(10 Points)**
3. A description of the population the Facility serves and how the population has evolved since the enactment of the Affordable Care Act to the date of this application. **(40 Points)**
 - a. Issues surrounding access to health care within the Facility's service area and how the Facility is currently addressing these issues. **(5 Points)**
 - b. (i) Populations the Facility serves, such as vulnerable populations including indigent, underinsured, uninsured, underserved, undocumented immigrants, and special needs groups such as the elderly, women's health, and men's health; and (ii) the services provided to these populations. **(15 Points)**
 - c. Uncompensated medical services and how the Facility absorbs the costs of uncompensated care. **(5 Points)**
 - d. How will a reduction or elimination of federal government assistance affect the population the Facility serves? For example, a longer wait time to receive services, fewer services provided, greater distance to another health facility that can provide services the Facility can no longer provide, and miscommunication issues due to the elimination of translators. **(5 Points)**
 - e. Provide the total number of clients served and the total number of patient visits for each of the three most recently completed fiscal years. Identify and explain any trends, changes, or consistencies that have occurred in those fiscal years. **(5 Points)**
 - f. Provide the percentage of total gross revenue sources for the three most recently completed fiscal years. Revenue sources may include Medi-Cal, Medicare, private insurance, fundraising, and grants. For example, FY 2016 total gross revenues comprised of 40% Medi-Cal, 30% Medicare, 20% Private Insurances, 5% Self Pay, and 5% Other. **(5 Points)**
4. A description of how the Facility may be adversely affected financially by a reduction or elimination of federal government assistance and how the Facility is preparing for such effects. **(15 Points)**
 - a. Leverage of other funding sources (such as donations and grants). **(5 Points)**
 - b. Effects of a reduction or elimination of federal government assistance on the Facility's total gross revenues and overall operations. **(5 Points)**
 - c. A projection of the Facility's financial plan for sustainability. **(5 Points)**

INITIAL AND FINAL ALLOCATION

- Applications would be received on a continuous basis until the application deadline (to be determined).
- Applications would be evaluated by two staff members and the average score will be calculated. The average score would be the final score assigned to the application. Scores will be ranked from the highest to the lowest score.
- Initial Allocation shall be limited to the applications with the highest ranked scores until grant funds are no longer available.
- Initial Allocations may be less than the amount requested in the application to fund additional grants.
- Final Allocations would be determined by the Authority in a public meeting, and any Final Allocations approved by the Authority shall be awarded as grants.

FUNDING DISTRIBUTION

Staff is considering the following three funding options:

- 1) Applications with the highest ranked scores.
- 2) Applications with the highest ranked scores and geographical distribution. The \$20 million would be allocated across five county regions. The chart below shows the funding distribution based on the region's percentage of population served.

County Regions	Available Funding
Central	\$4,500,000
LA/Ventura	\$6,000,000
Northern	\$4,000,000
Southern (excludes LA/Ventura)	\$5,500,000

- 3) Applications with the highest ranked scores and annual gross revenue limitations¹. The \$20 million would be allocated across four categories based on the Facility's annual gross revenues for the most recently completed fiscal year. Facilities located in a rural MSSA area will have their own funding category. The chart below shows the funding distribution across each of the four funding categories.

¹ Annual gross revenues limitations are based on the 2015 Office of Statewide Health Planning and Development ("OSHPD") Primary Care Clinic Annual Utilization Report, which provides that approximately over 1,100 eligible clinics have less than \$10 million in annual gross revenues. Approximately 66% of the primary care clinics fall below \$3 million in annual gross revenues; approximately 14% of primary care clinics fall between \$3 million to \$5 million in annual gross revenues; approximately 16% of primary care clinics fall between \$5 million to \$10 million in annual gross revenues; and approximately 3% of primary care clinics are licensed as rural health clinics. Health and Safety Code section 1216 provides that all licensed primary care clinics shall, on or before the 15th of February each year, file with OSHPD, a report based on the previous calendar year of patient demographics, patient utilization by services, total clinic operating expenses, gross patient charges by payer category, and deductions from revenue by payer category. Clinics that fail to file a report on time may risk a suspension of its licenses by OSHPD. Current statistics are from the 2015 OSHPD primary care clinic final annual utilization report, since the 2016 OSHPD primary care clinic annual utilization report is not yet final.

Funding Category	Annual Gross Revenues	Available Funding
1	\$0 - \$2,999,999	\$9,000,000
2	\$3,000,000 - \$4,999,999	\$5,000,000
3	\$5,000,000 - \$9,999,999	\$5,000,000
4	Facilities Located in a Rural MSSA Area	\$1,000,000

Approximately 60% of stakeholders that participated in the polling question, indicated that they favored Option 2, applications with the highest rank and geographical distribution.

ELIGIBLE USE OF GRANT FUNDS

Working capital that is vital to support the sustainability of the Facility (core operating support).

APPEALS

- An Applicant may appeal the amount of its Initial Allocation recommended by staff.
- The appeal must be submitted to the Executive Director no later than five calendar days following the date of the notification of Initial Allocation.
- The Executive Director will review the applications and notify the Applicant of the decision no later than 10 calendar days after receipt of the appeal.
- If the appeal is denied by the Executive Director, the Applicant may present its appeal to the Authority in a public meeting.
- If the appeal is accepted by the Executive Director, the Applicant will receive an Initial Allocation to be presented to the Authority in a public meeting for a Final Allocation.
- Final Allocations would be determined by the Authority in a public meeting, and any Final Allocations approved by the Authority shall be awarded as grants.

TIMELINE

December 7, 2017	Action item to consider emergency regulations
To Be Determined	Federal reduction or elimination of funding. Submit emergency regulations to OAL.
2 Months	<u>Stakeholders Webinar</u> (TBD) Market program <u>Application Webinar</u> (TBD) <i>pending OAL approval of emergency regulations</i>
1 Month	Open application window
2 Months	Close application window
1 Month	Evaluate and score applications for Initial Allocations. Approval of Final Allocations.