

National Association of Community Health Centers

State Policy Report # 29

Weathering the Storm: State Funding for Health Centers During An Economic Crisis

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Prepared By:

Colleen Boselli

State Policy Analyst

Department of Federal and State Affairs

Nicole Spoelma

State Affairs Intern

Department of Federal and State Affairs

Contributors:

State Primary Care Associations



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National Association of Community Health Centers (NACHC)
7200 Wisconsin Avenue, Suite 210
Bethesda, MD 20814
Phone: 301.347.0400 ~ Fax: 301.347.0459

NACHC Mission:

To promote the provision of high quality, comprehensive and affordable health care that is coordinated, culturally and linguistically competent, and community directed for all medically underserved populations

NACHC Description:

Established in 1971, the National Association of Community Health Centers (NACHC) serves as the national voice for America's Health Centers and as an advocate for health care access for the medically underserved and uninsured.

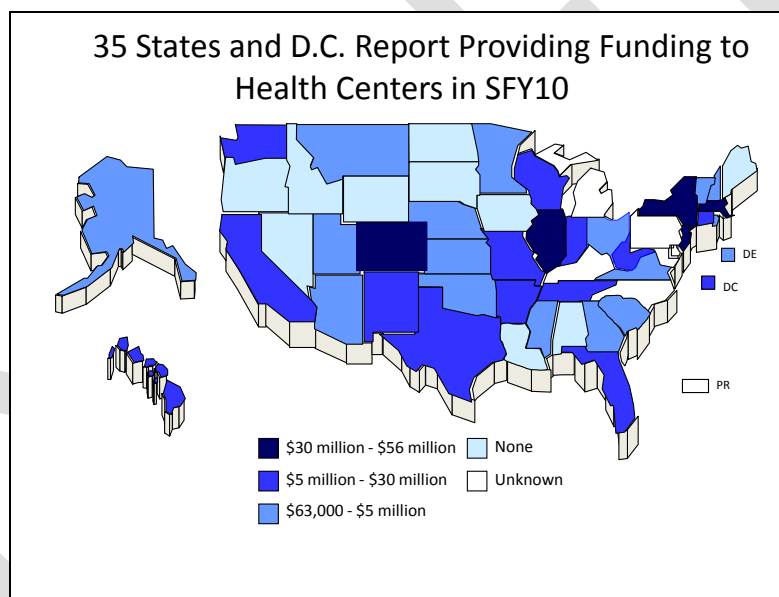
For more information about this publication, please contact:

Colleen Boselli
State Policy Analyst
Department of Federal and State Affairs
cboselli@nachc.com
202.296.3072

Introduction

At the close of the National Association of Community Health Center's (NACHC) eighth annual survey of state funding, results show that support for Federally Qualified Health Centers (FQHC) has suffered in the face of one of the worst economic downturns since the Great Depression¹. With combined state budget gaps expected to climb to at least \$350 billion in 2010 and 2011, the struggle to find revenue to support important primary health care services like, community health centers, persists². Since 2008, state funding for health centers has been on the decline. Of the 50 State Primary Care Associations (PCAs) that responded to NACHC's survey, only 73% said they will receive state funding for health centers in State Fiscal Year (SFY) 2010. These 35 states and the District of Columbia will provide a total of \$453.9 million in funding for their health centers, a 10% decline from the \$501.9 million directed to health centers in SFY09 and a 20% decline from the \$566 million provided in SFY08.

Of the states that will continue to support their health centers in 2010, 22 will appropriate a significantly smaller amount than in previous years. Three of these states, Idaho, Iowa, and South Dakota, will have their direct funding completely eliminated. Arizona, California, D.C., Indiana and Massachusetts will each lose over \$10 million, while Alaska will see their first-time funding of \$3.85 million appropriated in SFY09 cut to only \$350,000 for the upcoming year. Five states have weathered the storm and will see their funding go unchanged from SFY09 levels.



Despite widespread state budget troubles, 13 states will increase their investments in community health centers in SFY10. As unemployment rates continue to steadily rise, expanding the services of community health centers will be crucial to provide care for the growing un- and underinsured populations. Health centers in Arkansas and Illinois will both see their funding level increase at least five fold as they receive one time appropriations of \$5 and \$50 million dollars respectively for capital improvements. Excluding these two states, the remaining 11 will on average receive a 30% increase in state dollars.

¹ Hilsenrath, J., Ng, S. & Paletta, D. "Worst Crisis Since 30's, With No End Yet in Sight." September 18, 2008. The Wall Street Journal. <http://online.wsj.com/article/SB122169431617549947.html>

² McNichol, E. & Lav, I. "New Fiscal Year Brings No Relief From Unprecedented State Budget Problems." July, 29, 2009. The Center on Budget and Policy Priorities. <http://www.cbpp.org/files/9-8-08sfp.pdf>

In addition to cutting SFY10 appropriations for health centers, a number of states filled existing revenue gaps by decreasing SFY09 levels of funding. The total amount of state funding for SFY09 reported at the close of our survey in 2008 was \$517,665,747, however many PCAs reported a lower number for final SFY09 funding in this year's survey bringing the total down to only \$501,887,329. Arizona, Connecticut, Ohio, and South Carolina, reported that their SFY09 levels were cut to fill these revenue gaps.

State Budget Crisis and Economic Stimulus

As we examine state support for health centers in SFY10, it's vital to mention two significant events that have made an impact on many state's funding levels.

Through the American Recovery and Reinvestment Act (ARRA), Congress and the Obama Administration appropriated a total of \$2 billion of one-time funding over two years for community health centers. These funds will help to strengthen health centers' capacity to provide care to the rising number of uninsured and underserved populations that have resulted from recent job losses due to the economic downturn. The money from ARRA will go towards establishing 126 new health centers and support care for more than 2.1 million additional people (including 1 million uninsured) in addition to creating or saving up to 12,000 jobs across the nation.

While the ARRA funds were a well needed booster shot to the nation's community health centers, it's important to keep in mind that this is temporary funding and after two years will need to be sustained through state and local support so that the health centers can continue to provide essential primary care services to underserved populations and remain economic engines for their local communities. There were many states this year, including Arizona, California, Connecticut, Ohio, and North Carolina, that tried to justify cuts in state funding for community health centers because of the federal support they received through ARRA. These proposed cuts undermine the intent of the federal stimulus funding, which was to strengthen and expand community health centers in order to serve additional patients and grow and retain jobs.

This year, state legislatures and governors faced tough decisions during their annual budget processes, as states battled a severe economic crisis. Large revenue shortfalls plagued almost all states and most were forced to make cuts to essential services. A survey by the Center on Budget and Policy Priorities (CBPP) found that, "48 states have addressed or still face shortfalls in their budgets for fiscal year 2010 totaling \$163 billion or 24 percent of state budgets."³ At the close of the fiscal year, states including Arizona, California, Connecticut, Michigan, North Carolina, and Pennsylvania remained without a budget and at the time of this report, some are still waiting to pass a final spending plan.

In addition to cuts in state funding, health centers in many states face the added pressure of cuts to Medicaid and CHIP (Children's Health Insurance Program). According to CBPP, "At least 21 states made cuts that will restrict low-income children's or families' eligibility for health insurance or reduce their access to health care services."¹ Six states (California, Louisiana, Massachusetts, Michigan, Nevada, and Tennessee) reported Medicaid changes that would increase the number of uninsured patients at health centers. California, Michigan, and Utah reported that their Medicaid programs were making changes that would cut services, with Michigan and Utah also reporting decreases in reimbursements. In addition, six states (California, Georgia, Louisiana, Nevada, New Mexico, and Ohio) reported changes to their CHIP programs that would increase the number of uninsured patients at health centers. Nevada also reported a decrease in CHIP covered services and Washington reported a decrease in CHIP reimbursement rates.

³ McNichol, E. & Lav, I. "New Fiscal Year Brings No Relief From Unprecedented State Budget Problems." July, 29, 2009. The Center on Budget and Policy Priorities. <http://www.cbpp.org/files/9-8-08sfp.pdf>

The outlook for the SFY11 state budget cycle does not offer much hope, as CBPP reports at least 33 states already anticipate deficits and initial estimates suggest these could total almost \$51 billion. As states face these tough decisions of how to fill revenue gaps, making cuts to health centers during an economic crisis could put the health care safety net in jeopardy.

Research Methods

In July 2009, NACHC fielded a survey to Primary Care Associations (PCAs) in 50 states, the District of Columbia, and Puerto Rico to assess the status of state funding for health centers. The survey contained 34 questions and inquired about direct state funding for health centers as well as changes to Medicaid and CHIP programs and state health care reform initiatives. The responses were collected using an online tool, Survey Monkey, and are detailed in this report. This analysis relies on the self-reported information from PCAs. Thank you to all the PCAs who participated in this survey and shared their data.

The responses rate for the survey was 94.2%, which is slightly higher than in previous years. There were 50 states that submitted responses to the survey, however only 45 of those were complete. PCAs representing Kentucky, and Maryland did not respond. As of the time of publication the following states did not have final budgets and therefore could not report final state funding levels: California, Michigan, North Carolina, and Pennsylvania. When no data was provided for SFY09 funding levels, numbers were based on previous year data reported by the PCA.

For the purposes of this report, direct state funding is defined as a line-item appropriation and/or grant or contract that the state provides to the PCA and/or health center, excluding any Medicaid funding or federal grant dollars.

SUMMARY OF FINDINGS

Out of the 52 states and territories that were surveyed there were 50 respondents.

State Funding of Health Centers

- The final reported total for FY09 state funding decreased by 3.5% from \$517,665,747 to \$501,887,329 due to states cutting funds mid-year to fill budget gaps.
- Thirty-five states and D.C. reported that they are receiving state funding for health centers at a total of \$453 million. This total is \$48 million, or almost 10%, less than reported in SFY09.
- SFY10 is the second consecutive year direct funding for health centers has declined.
- In SFY10, state funding for health centers will increase in 13 states, decrease in 18 states and remain level in five states. 11 states will provide no funding. As of the time of publication, three states' final funding levels are still pending.
- Funds provided by:
 - General Funds- 33 states
 - Tobacco Tax/Settlement- 11 states
 - Uncompensated Care Pool- 5 states
- Funds used for:
 - Serving the Uninsured- 34 states
 - Services (ie. dental, mental health, etc)- 20 states
 - Operating- 16 states
 - Capital Needs- 11 states
 - HIT- 6 states
 - Incubator Programs- 5 states
 - Loan Repayment- 5 states
- Funds distributed by:
 - Formula- 21 states
 - Competitive grant process- 16 states
 - Through the PCA- 9 states
 - Contract- 15 states
 - Lump sum per center- 3 states
 - Through the State Dept of Health- 1 state

State Funding to Health Centers

State	Final FY2009 State Funding to Health Centers	FY 2010 State Funding to Health Centers	Change in funding
Alabama	None	None	None
Alaska	\$3,850,000 - Total Health IT: \$2,500,000 Direct Services: \$1,000,000 Senior Access to Health Centers: \$350,000	\$350,000 Senior Access to Health Centers: \$350,000	Decreased by 91%
Arizona	\$11,076,400	\$1,881,400	Decreased by 83%
Arkansas	\$2,250,000	\$16,154,615.19 - Total Line Item: \$10,000,000 One time Capital: \$5,000,000 Outreach/Enrollment: \$832,825.55 Tele-Mental Health: \$156,589 ADH/Oral Health: \$20,000 ADH/Tobacco: \$74,254 ADH/UA: \$70,946.64	Increased by 718%
California	\$44,100,000 - Total Expanded Access to Primary Care Program \$27,000,000 Rural Health Services Development Program \$8,200,000 Seasonal Agricultural Migratory Worker Program \$6,900,000 Rural Health Demonstration Projects \$1,000,000 Loan Repayment Program \$1,000,000 (not limited to health centers)	\$11,000,000⁴	Decreased by 75%
Colorado	\$64,687,447 - Total Uncompensated Care Pool: \$33,951,786 Capital Needs/Primary Care Grants: \$967,880 Service Specific Grants: \$7,692,824 Unrestricted Primary Care Funds: \$28,319,635	\$53,307,253 - Total Primary Care Fund (Tobacco Tax): \$21,045,516 Operations/Capital Grant: \$334,655 Indigent Care Fund: \$28,416,908 Loan Repayment (State Contribution): \$78,300 Service Specific Grants (Cancer, etc.): \$3,428,874	Decreased by 18%
Connecticut	\$9,747,481 -Total Infrastructure: \$2,500,000 Expansion of Hours: \$288,000 per center	\$6,900,000⁵	Decreased by 29%
Delaware	\$394,914	\$337,496	Decreased by 15%
District of Columbia	\$23,750,000 -Total \$6,000,000 for EHR/RIO \$16,250,000 for capital (part of \$65m pool to be spread out over 4 years)	\$10,386,074	Decreased by 56%

⁴ Depending on the outcome of litigation taking place at the time of this report's print, appropriations for California Community Health Centers could range from \$11,000,000 to \$35,000,000. For the purpose of this publication, the tentative \$11,000,000 appropriation will be used.

⁵ Appropriations reflect a proposed number.

	\$1,500,000 programs		
Florida	\$15,276,000	\$18,276,000	Increased by 20%
Georgia	\$3,035,484 HIT : \$310,929 Breast/Cervical Cancer: \$286,550 Disaster Preparedness: \$88,084 Behavioral Health: \$1,011,404 New Starts: \$1,088,517 FQHC Expansion: \$250,000	\$3,110,600	Increased by 3%
Hawaii	\$7,875,000	\$9,050,000- Total Uninsured/Operations: \$5,700,000 Immigrant Care: \$270,000 Capital: \$1,450,000 Outreach: \$625,000 State Programs (family planning, mental health): \$1,000,000	Increased by 15%
Idaho	\$1,000,000	None	Decreased by 100%
Illinois	\$10,000,000	\$56,690,000	Increased by 567%
Indiana	\$30,000,000	\$17,500,000	Decreased by 58%
Iowa	\$3,250,000- Total CHC Incubator : \$650,000 Iowa Collaborative Safety Net: \$1,600,000 Tobacco Cessation: \$1,000,000	None	Decreased by 100%
Kansas	\$3,586,088	\$4,125,517	Increased 15%
Kentucky	None	No Response	Unknown
Louisiana	None	None	None
Maine	None	None	None
Maryland	No Response	No Response	Unknown
Massachusetts	\$67,350,000- Total Uncompensated Care: \$35,000,000 Medicaid Rates: \$10,000,000 School-Based Health: \$4,500,000 CHC Support & Enhancement: \$7,000,000 Loan Repayment: \$1,700,000 DPH Grants: \$12,000,000 Essential Provider Trust: \$9,000,000	\$52,150,000	Decreased by 23%
Michigan	\$1,809,993	Pending⁶	Unknown
Minnesota	\$2,500,000	\$2,500,000	Level
Mississippi	\$3,551,267	\$3,751,267	Increased by 6%
Missouri	\$11,114,750- Total	\$11,114,750- Total	Level

⁶ Appropriations were pending due to later ending fiscal year cycles at the time of print.

	Direct Funds: \$9,250,000 Women & Minority Health Outreach: \$1,114,750 Mental Health Collaboration: \$750,000	Direct Funding: \$9,250,000 Women & Minority Health Outreach: \$1,114,000 Mental Health/Primary Care Integration: \$750,000	
Montana	\$2,260,024- Total Incubator/Capital/Service Expansion: \$2,000,000 Oral Health Expansion: \$505,000 Dental Services, Pregnant Women/Children: \$180,000	\$63,316- Total Access to Baby & Child Dentistry: \$63,316 CHC Support Act: \$1,290,000	Decreased by 97%
Nebraska	\$3,193,190- Total Uninsured Care: \$1,750,000 Oral Health: \$250,000	\$3,293,190- Total Uncompensated Care: \$1,850,875 General Funds: \$42,315 Nebraska Health Care Cash Fund (2 CHCs): \$1,400,000	Increased by 3%
Nevada	No Response	None	None
New Hampshire	\$4,500,000	\$4,500,000	Level
New Jersey	\$50,400,000- Total Uncompensated Care: \$40,000,000 Expansion/Quality Initiatives: \$5,000,000 Pregnant Undocumented Women: \$1,900,000 Homeless Care: \$500,000 One-Time Stability Funds: \$3,000,000 Disease Collaborative: \$250,000 Disaster Planning: \$400,000	\$45,550,000- Total Uncompensated Care: \$40,000,000 Pregnant Undocumented Women: \$1,900,000 Stabilization Funds: \$3,000,000 Disease Collaborative: \$250,000 Disaster Preparedness: \$400,000	Decreased by 10%
New Mexico	\$17,550,000- Total General Fund: \$13,506,000 Capital Loans and Earmarks: \$2,200,000 OEW Contracts: \$1,200,000 Emergency Preparedness: \$500,000 EMR: \$675,000	\$17,995,000- Total Annual Operating Contracts: \$14,170,000 Outreach/Eligibility: \$1,331,000 Capital Projects: \$1,200,000 Diabetes Supplies for Uninsured: \$377,000 Recruitment/Retention Contracts: \$285,000	Increased by 2.5%
New York	\$34,582,000- Total Indigent Care: \$19,900,000 Transition To Managed Care: \$3,500,000	\$39,563,000- Total Indigent Care: \$36,521,000 Transition for EHR: \$2,719,000 Migrant: \$322,500	Increased by 14%
North Carolina	\$2,844,654	Pending⁷	Unknown
North Dakota	None	None	None
Ohio	\$3,231,000- Total Uncompensated Care: \$2,150,000 Med. Malpractice Reimbursement: \$100,000 Tobacco MSA: \$1,340,000	\$2,680,000	Decreased by 17%
Oklahoma	\$2,041,120	\$4,541,120- Total Uncompensated Care: \$3,841,120	Increased by 222%

⁷ As the budget in this state had not passed at the time of print, appropriations for Community Health Centers are still pending.

		CHC Development: \$700,000 (of this \$60,000 for tort protection for volunteers)	
Oregon	None	None	None
Pennsylvania	\$1,000,000	Pending⁸	Unknown
Puerto Rico	None	None	None
Rhode Island	\$1,568,000	\$1,400,000	Decreased by 11%
South Carolina	\$700,000	\$750,000	Increased by 7%
South Dakota	\$30,000	None	Decreased by 100%
Tennessee	\$6,900,000	\$6,000,000	Decreased by 13%
Texas	\$20,500,000 - Total Incubator: \$5,000,000 Title V, X and XX: \$10,000,000 Primary Care Program: \$5,500,000	\$20,500,000 - Total Incubator: \$5,000,000 Title V, X, and XX: \$10,000,000 Primary Health Care Program: \$5,500,000	Level
Utah	\$1,623,000 - Total Uninsured: \$500,000 State Primary Care Grant: \$742,000 Loan Repayment: \$108,000 UT Commission on Volunteers: \$292,000 Heart Disease/Stroke Prevention: \$55,000 Diabetes Control/Prevention: \$71,000 Tobacco Cessation: \$40,000 Immunization: \$255,000 Emergency Preparedness: \$60,000	\$1,149,784	Decreased by 29%
Vermont	\$335,000 - Total Uninsured Access: \$150,000 HRSA ORHP Grant Match: \$185,000	\$295,000 - Total Incubator: \$150,000 Healthcare Reform: \$185,000	Decreased by 12%
Virginia	\$3,257,087	\$2,073,945	Decreased by 36%
Washington	\$10,323,361	\$10,323,361	Level
West Virginia	\$8,844,069	\$8,846,513	Increased by .02%
Wisconsin	\$6,000,000	\$5,750,000	Decreased 4%
Wyoming	None	None	None
TOTAL	\$501,887,329	\$453,859,201.19	Decreased by \$48,028,127.81

⁸ As the budget in this state had not passed at the time of print, appropriations for Community Health Centers are still pending.

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