



NATIONAL ASSOCIATION OF
Community Health Centers

April 8, 2009

The Honorable Kathleen Sebelius
U.S. Secretary of Health and Human Services – designate
Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary-designate Sebelius:

As you know, the resources made available through the American Recovery and Reinvestment Act (ARRA) are intended for several purposes: some are meant to provide relief to struggling state and local governments, while others are meant to stimulate economic recovery and to provide vital services to those affected by the economic downturn. Within this latter group, America's health centers received more than \$2 billion, to strengthen their capacity to provide care to the growing uninsured and underserved population. Health centers deeply appreciate this support and stand ready to put the funds to good use by serving additional patients, hiring more providers, and strengthening our infrastructure. In fact, the funds distributed in the last few weeks are already making a difference in underserved communities across the country. Health centers have experienced a significant increase in uninsured patients recently, and these funds will allow health centers to serve over 2 million more people and create or save more than 12,000 jobs across the country. Unfortunately, these gains are being undercut by budget actions in several states, and we ask for your help to ensure the ARRA funding serves its original purpose.

While we recognize that states face extraordinarily difficult decisions in attempting to balance their budgets, cutting state support for health centers is not the answer. Unfortunately, there seems to be confusion amongst some decision makers in the states about the intent of the federal recovery dollars for health centers. The clear intent of Congress, and reconfirmed repeatedly throughout the Administration, was that the health center funds were intended to serve additional patients, hire needed staff, and improve facilities during the economic downturn; however, some states have already signaled that they intend to reduce state funding for health centers as a direct response to the new recovery funding.

Here are a few examples of what we're already hearing from the states:

In **North Carolina**, the Senate has proposed that health centers "who receive federal funds through the ARRA to provide new, expanded, or continuing health services are not eligible to receive funds" from the state's Community Health Grants. This is a program the health centers were integral in creating and previously received nearly half the funds to increase access to the uninsured, provide additional services, reach new communities,

and enhance facilities to increase capacity. If passed, health centers will not be eligible for \$7.86 million in FY 09-10 and an additional \$7.86 million in FY 10-11.

In **Ohio**, state funding for health centers for fiscal years 2010 and 2011 has been drastically reduced. Specifically, tobacco dollars to provide uncompensated care were completely eliminated; General Revenue Funds were cut nearly 25%; and the Medical Malpractice Insurance Reimbursement Program available to several Ohio health centers was eliminated. In total, current funding for health centers has been at \$8.25 million, but the budget now proposes only \$3.36 million. Based upon testimony, follow-up questions and subsequent discussions with key state legislators, it is clear that the State of Ohio sees the federal stimulus dollars as an excuse to cut state support for the Health Centers program.

In order to balance the FY09 budget, the **Arizona** Legislature required all state agencies to do lump sum reductions in their budgets. As a result, the Arizona Department of Health Services cut the Community Health Center line item by 18% and the program will probably take another 10-20% cut to help balance the FY10 budget. The rationale for the cuts is that “the FQHCs have the ability to access funds from the economic stimulus package”. However, the amount of federal recovery funding allocated to individual health centers for services to the uninsured does not make up for the loss of reimbursements for state funded sliding fee scale services. While the state restored money to some programs, such as child care subsidies, in order to draw down available stimulus money there is no maintenance of effort requirement for health centers. As such, the state is currently considering even deeper cuts for FY10, including another \$3 million from the Community Health Center line and a possible loss of another \$700,000 in tobacco tax funding for sliding fee scale services. This would reduce the total state funding for primary care sliding fee services from \$15 million to approximately \$7.7 million.

As you are well aware, health centers are funded jointly by state and federal governments. Last year, state funding for health centers exceeded \$500 million. The funding made available through ARRA should enable health centers to serve more people during these challenging economic times, but only if they can rely on continued state support to meet the needs of their communities.

We know it was never the intent of the federal government to use this one-time recovery money to supplant state funding. If states cut their support of health centers in response to the federal recovery dollars, the outcome will show significantly fewer new patients, new visits, new uninsured patients, and new full-time employees than was originally projected.

On behalf of the 18 million patients served by America's health centers, we respectfully request your support and intervention on this issue. **We would urge you to contact the Governors of each state to clarify that the intent of this ARRA funding was not to supplant state funds.** We look forward to working with you and your Administration to make the recovery funding, and health centers across the country, a model for success. If you have any questions or would

like additional information on this issue, please call me at any time.

Sincerely,

A handwritten signature in black ink that reads "Tom Van Coverden". The signature is written in a cursive, flowing style.

Tom Van Coverden
President and CEO

cc: Majority Leader Harry Reid, U.S. Senate
 Majority Whip Richard Durbin, U.S. Senate
 Republican Leader Mitch McConnell, U.S. Senate
 Speaker Nancy Pelosi, U.S. House
 Majority Leader Steny Hoyer, U.S. House
 Majority Whip James Clyburn, U.S. House
 Republican Leader John Boehner, U.S. House
 Senator Daniel Inouye, Chairman, Senate Appropriations Committee
 Senator Thad Cochran, Ranking Republican, Senate Appropriations Committee
 Representative David Obey, Chairman, House Appropriations Committee
 Representative Jerry Lewis, Ranking Republican, House Appropriations Committee
 Peter Orzag, Director, Office of Management and Budget
 Mary Wakefield, Administrator, Health Resources and Services Administration
 Jim Macrae, Associate Administrator, Health Resources and Services Administration