

medicaid and the uninsured

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Community Health Centers in an Era of Health Reform: An Overview and Key Challenges to Health Center Growth *Executive Summary*

Today, over 1,100 federally funded community health centers play a vital role in ensuring access to health care for a predominantly low-income population in medically underserved communities. Health centers' ability to provide comprehensive primary care and improve access to high-quality care while holding down health care cost growth has been well-documented. As health reform spurs coverage expansion and efforts to improve quality, the nation's reliance on health centers is likely to grow.

In the Affordable Care Act (ACA), Congress invested \$11 billion over five years to expand the health center program, to broaden access to care in lower-income communities as coverage expands. As policymakers and others gear up for ACA implementation, understanding the role of health centers and the characteristics of the people they serve is increasingly important. This brief provides a current snapshot of health centers and discusses recent developments that can be expected to have a significant impact on health center growth in the coming years.

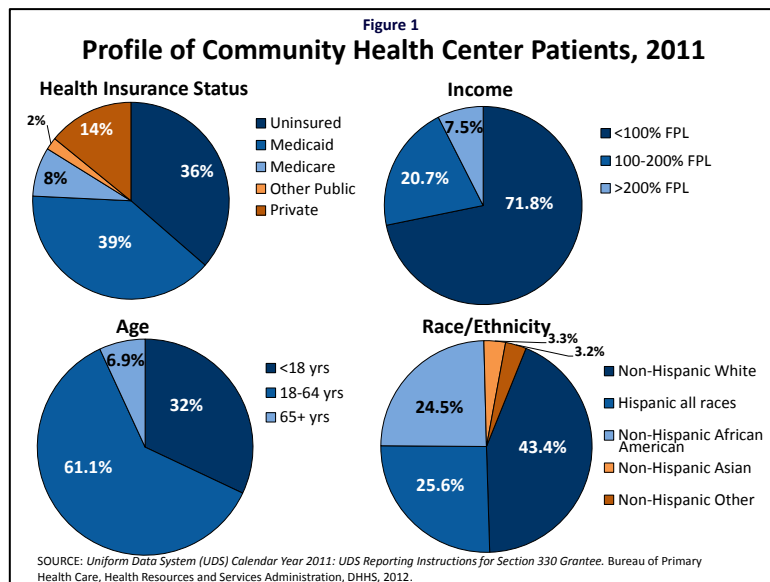
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- **Health centers' safety-net role.** In 2011, 1,128 health centers operating in about 8,500 sites provided 80 million visits to about 20 million patients, primarily for medical care, but also for dental, behavioral health, and enabling services. More than 70% of health center patients are below the federal poverty level, or FPL (Figure 1). Most are working-age adults (60%) and children (33%), and about 7% are seniors. Over half are members of racial or ethnic minority groups. Health centers serve more than 1 in 6 low-income people nationally.

- **Health center patients.** More than a third of health center patients are uninsured and almost 40% are covered by Medicaid. Under the ACA, the number of health center patients is expected to grow significantly, but their uninsured rate is expected to fall. Still, the share of their patients who lack coverage will remain high, and health centers will probably serve a larger share of those who remain uninsured.

- **Scope of services.** Health centers provide primary care spanning physical, oral, and mental health care, as well as enabling services (e.g., translation, transportation) that help patients access care. Between 2000 and 2011, the availability of both oral and mental health care in health centers grew dramatically, a reflection of both widespread need and increased federal funding.

- **Health center volume and staffing.** Health center visits increased from 38 million in 2000 to 80 million in 2011, and the number of health professionals and other staff increased by almost two-and-a-half times. Medical staff doubled and dental and behavioral health staff nearly tripled.



▪ **Medicaid support.** Medicaid accounts for nearly 40% of health center revenues (Figure 2), reflecting the large share of health center patients covered by Medicaid and Medicaid’s special payment rules for health centers. Medicaid rates are prospectively set and based on reasonable costs, which means that the costs of treating Medicaid patients will not be shifted to grant funding that is meant to finance care for the uninsured and services that private insurance may not cover. Under the ACA, Qualified Health Plans must also use this methodology to pay health centers.

▪ **ACA investments.** The ACA established an \$11 billion Health Center Trust Fund and provided \$1.5 billion in new funding for National Health

Service Corps, on which health centers rely heavily to recruit medical and dental providers. These and other key investments – ongoing regular appropriations, expanded coverage, continuation of Medicaid’s special payment rules and their extension to Exchange plans – were expected to support the expansion of health centers and access in medically underserved communities to prepare for increased demand for care as coverage expands. Health centers’ capacity was projected to virtually double by 2019, to 40 million patients.

Current challenges

- The Supreme Court decision on the ACA, effectively making the Medicaid expansion a state option, creates uncertainty about what the size and location of the remaining uninsured population will be. A state decision not to expand Medicaid would likely depress health center growth because health centers would have to divert growth funds to finance care for uninsured patients who were expected to gain Medicaid coverage.
- Even if all states adopt the Medicaid expansion, millions of people will remain uninsured. Given that health centers will continue to shoulder the cost of treating many of the uninsured and under-insured, adequate payment on behalf of insured patients is necessary to avoid the use of grant funds meant for care for the uninsured to fill gaps for the insured instead.
- Two recent budget actions challenge health centers’ ability to grow on pace. First, regular federal appropriations for health centers were cut in 2011 by \$600 million. As a result, health centers had to divert an equal amount from the Health Center Trust Fund to avoid reducing their capacity by as many as 5 million patients. Second, under sequestration, health centers face a 5.19% cut in their base appropriations in the second half of FY 2013. Although the Health Center Trust Fund is partially protected, homeless program funding from the Fund will fall by 5.79% and total losses from sequestration are projected to be \$120 million in FY 2013, which translates to 900,000 fewer patients served and 3 million fewer visits.

Having prepared for a decade of strong growth, health centers now face significantly diminished funding and the prospect of a slower expansion of Medicaid, both of which exert downward pressure on health center expansion. In light of health centers’ role in our health care system and their unique potential to advance the goal of expanded access to care for the medically underserved, these shifts in the direction of retrenchment pose a challenge going forward.

