

The Importance of Preserving State Funding for Health Centers During Economic Crisis....

- Health centers serve 18 million patients nationwide: 7 million uninsured, 6.4 million Medicaid, 1.4 million Medicare and 2.8 million private insurance.¹ In 2008, New Jersey health centers served 366,785 patients: 152,219 uninsured, 166,589 on Medicaid, 13,235 on Medicare, and 34,742 on other forms of payment.
- Health centers operate on limited margins, only 0.8% in 2007, leaving them vulnerable to changes in the economy.¹
- Health centers are resource poor and depend on state dollars for revenue. In 2009, New Jersey health centers received \$40 million in uncompensated care funds to care for the uninsured.

Add to that the current economic crisis...

- A recent report by Center on Budget and Policy Priorities found that 45 states are projecting budget shortfalls. Combined budget gaps for the remainder of this fiscal year and state fiscal years 2010 and 2011 are estimated to total more than \$350 billion. For FY 2010, New Jersey's mid year budget gap is estimated to be \$400 million, and is expected to go up to \$9.2 billion when the fiscal year ends. The projected budget gap for FY 2011 is \$8.0 billion.²
- According to a recent New York Times article, in a number of states, Medicaid populations grew by 5 percent to 10 percent in the last 12 months and, in many, the growth rate was at least double what it had been in the previous year. In New Jersey, between December 2008 and December 2009, Medicaid enrollment grew by 11.1%.³ State Medicaid officials also say that because enrollment often lags behind job losses by several months, this growth may represent only the leading edge of heightened demand.
- This growth has led some states to cut Medicaid, which is generally the second largest part of state budgets. A recent Families USA report documented that eighteen states have enacted Medicaid or CHIP cuts in their FY 2009 budgets; and six of those are already considering a second round of cuts in their FY 2009 or 2010 budgets. Many other states are still

weighing cuts. More than 1 million people are at risk of completely losing health coverage in Medicaid and CHIP because of cuts that have been enacted or that are currently under consideration in the following eight states: Arizona, California, Florida, Georgia, Nevada, Rhode Island, South Carolina and Tennessee. Of those, states estimate that more than one-quarter of a million people (274,800) will lose coverage because of cuts that have already been enacted, and more than three-quarters of a million people (762,980) are at risk of losing their coverage if proposed cuts become law.

The impact of state actions...

As you can imagine, these actions have a significant impact on health centers.

- New Jersey health centers depend on Medicaid for 40.8% of their revenue, which is the largest source.⁴
- Nationally, the number of health center uninsured patients has increased by 69.7% between 2000 and 2008 and will only continue to rise as the economy worsens and people lose their jobs along with their health insurance.⁵ Between 2001 and 2008, uninsured patients at New Jersey health centers increased by 100.2% with an average annual growth rate of 12.5%.
- An article published in Health Affairs regarding Medicaid/SCHIP cuts and Hospital Emergency use stated that any cost savings related to reducing Medicaid/SCHIP enrollment will actually increase uncompensated care costs seen by all safety net providers, including health centers. In fact, reduction in health center capacity resulting from Medicaid/SCHIP revenue loss slightly increases the probability of ER visits for Medicaid/SCHIP adults and children. The author concludes that redirecting avoidable ER visits to primary care will create a more efficient health care delivery system, an option that would likely achieve greater cost savings than enrollment reductions.
- Funded by a grant from the Centers for Medicare and Medicaid Services (CMS), New Jersey Medicaid, NJPCA, and the New Jersey Hospital Association (NJHA) are collaborating to pilot test two emergency room (ER) diversion demonstration projects in Essex and Monmouth counties. Initiated as partnerships between a pilot hospital and an FQHC in each of the two counties, the program will target and triage Medicaid patients who present at the ERs for non-emergent primary care conditions. Once treated at the ER, these patients will then be set-up for follow-up care at the collaborating FQHCs. Staff dedicated to this program at each site (hospitals, FQHCs) will be able to set-up and track appointments for the diverted patients, and also arrange transportation for patients as

necessary. The ultimate goal of the program is to ensure timely access to care by connecting patients to an alternate primary care provider; allow easier access to follow-up care; reduce repeat visits to the ER; and in the process, promote the concept of health care home for primary and preventive care services.

The importance of preserving health centers...

Economic Engines

Community health centers play an integral role in the economic viability and growth of the neighborhood within which they are located. During this time of great economic stress when many communities are struggling, health centers could help stimulate local economies by providing jobs as well as integral primary health care services to all regardless of the ability to pay.

- Health centers generate \$12.6 billion in economic benefits annually for their predominately low-income rural and inner-city communities through the direct employment of local residents and goods and services purchased from local businesses, they also produce 104,923 jobs in some of the country's most economically deprived neighborhoods.⁶ Based on most recent employment data, New Jersey's health centers directly generated 2,180 jobs and indirectly supported an additional 1,141 jobs as a result of their total operating expenditures.
- The average large urban health center (one with an annual budget of about \$12 million) generates a total economic impact of \$21.6 million for its local community, while the average small rural health center (defined by an annual budget of about \$3 million) generates about \$3.9 million.⁶ In New Jersey, health centers generate \$387 million in combined economic benefits for their local communities.⁷
- Health centers employ people in their communities, including critical entry-level jobs, training and career building opportunities that are community-based. Furthermore, health centers located in rural areas are often among the largest employers in their communities.
- Health centers generate additional economic affects through capital projects and the resulting expansion of services. When a health center undertakes a capital expansion and/or renovation project, a significant economic revitalization occurs within the local community. In most instances, the capital developments and facility expansions of health centers act as catalysts for significant economic revitalizations and create a "ripple effect" of positive change in communities.⁶

Cost-savings

As economic conditions worsen, states may begin to see an increase in enrollment for Medicaid, however at the same time states facing large budget shortfalls are forced to make cuts to their Medicaid programs. Health centers can save the state Medicaid money by reducing the amount of unnecessary hospitalizations and ER visits which can be treated more appropriately, efficiently and cost-effectively in a primary care setting.

- Nationally, health centers could save Medicaid approximately \$4 billion annually by reducing avoidable ER visits.⁸
- Rust et al. compared uninsured ED visit rates across rural counties in Georgia between 2003 and 2005. They found that counties with a community health center site had 33% fewer uninsured ED visits per 10,000 uninsured populations than those counties without a health center site. Health center counties also had fewer ED visits for ambulatory care sensitive visits – those visits that could have been avoided through timely treatment in a primary care setting.⁹ These findings remained statistically significant even after controlling for poverty, racial make up, and number of hospitals.
- If avoidable visits to the ER were redirected to health centers, the nation could save over \$18 billion in annual health care costs.¹⁰ In New Jersey alone, \$438 million spent on avoidable ER visits could be saved if these visits were redirected to the health centers¹¹.
- Medicaid beneficiaries relying on health centers for usual care were 19% less likely to use the ER for an ambulatory care sensitive condition and 11% less likely to be hospitalized for an ambulatory care sensitive condition than Medicaid beneficiaries using outpatient and office-based physicians for usual care.¹²
- Patients living in underserved areas with a health center have 5.8 fewer preventable hospitalizations per 1,000 people over 3 years than patients who live in areas where there are no health centers.¹³

Cost-effective

- People who receive a majority of their care at a Community Health Center have significantly lower medical expenses (41% lower) than those who receive a majority of their care elsewhere. This generates savings for the entire health care system of up to \$17.6 billion annually.⁶
- By serving as effective medical homes, health centers have the ability to create a much more efficient health care system. The Lewin Group has

found that taking full advantage of primary care medical homes would produce \$67 billion in annual health care savings.

Quality

- Health center uninsured patients are almost 33% more likely to have a usual source of care than other uninsured.⁵
- Health center uninsured patients are half as likely as other uninsured to delay care because of cost, go without needed care, or be unable to refill a prescription.⁵
- Health centers are associated with reducing health disparities on a statewide level. A recent landmark report found that the proportion of state's low-income population served by health centers grows, the black/white and Hispanic/white health gap narrows in such key areas as infant mortality, prenatal care, tuberculosis case rates, and age-adjusted death rates. This finding holds after controlling for other factors, such as uninsured rate and income.¹⁴

¹ National Association of Community Health Centers (NACHC), 2008.

² McNichol, Elizabeth and Iris J. Lav. "State Budget Troubles Worsen". *Center on Budget and Policy Priorities*. January 2009. pp. 1-10.

³ New Jersey Department of Human Services, Medicaid Managed Care Enrollment Data, 2008 and 2009.

⁴ Source: 2008 Uniform Data System (UDS) and self-reporting by health centers.

⁵ NACHC, Uninsured Fact Sheet, 2008.

⁶ NACHC, Robert Graham Center, and Capital Link, *Access granted*, August 2007, <http://www.nachc.com/research-reports.cfm>.

⁷ "The Financial Condition of New Jersey Health Centers," a draft report prepared by Capital Link for the New Jersey Primary Care Association, October 2009, pg. 15.

⁸ NACHC, ED Diversion Report, 2007.

⁹ Rust, George, et al. "Presence of a Community Health Center and Uninsured Emergency Department Visit Rates in Rural Counties." *Journal of Rural Health*, Winter 2009, 25(1):8-16.

¹⁰ NACHC, America's Health Center Fact Sheet, 2008.

¹¹ NACHC and Association of Community Affiliated Plans. *The Impact of Health Centers and Community-Affiliated Health Plans on Emergency Department Use*, April 2007, <http://www.nachc.com/research>.

¹² Falik, M. et al. "Comparative Effectiveness of Health Centers as Regular Source of." January – March, 2006, *Journal of Ambulatory Care Management*, 29(1):24-35.

¹³ NACHC, Safety Net on the Edge Fact Sheet, 2007.

¹⁴ NACHC, Health Disparities Fact Sheet, 2008.