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White Paper  
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## The High Performing FQHC of Tomorrow *Expanding the mission through margin*

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*This paper explores the challenges faced by Federally Qualified Health Centers through conversations with some of the country's most successful FQHC leaders. Their stories and insights offer valuable guidance for transforming health centers into healthcare organizations that can sustain themselves financially while expanding their missions to take advantage of the growing demand for healthcare services in their communities.*

## FQHCs: An Overview

**40**  
YEARS

since health  
centers first  
established

**2**

number of  
health centers  
opened in  
1965

**60K**  
PERCENT

growth in FQHCs  
since 1965

**1,200**

FQHCs  
presently in  
operation

**9,000**

communities  
being served

**23M**  
PATIENTS

receiving  
care

**\$11B**  
REVENUE

five-year  
funding pool  
set to expire  
in 2016

**50%**

patient growth  
goal for 2015

Sources: Alliance for Rural Community Health, National Association of Community Health Centers

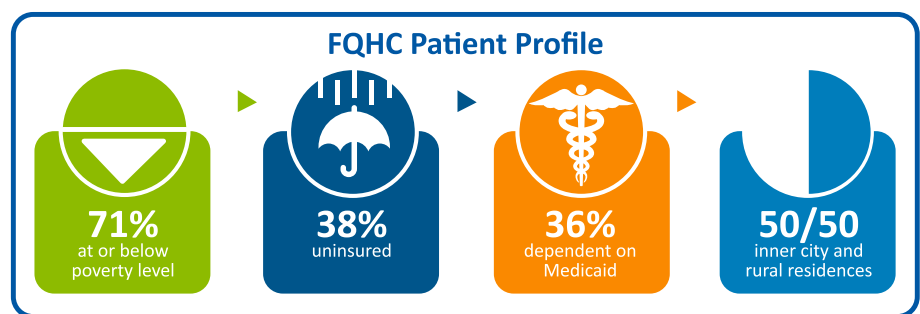
## Introduction

Solving the U.S. healthcare crisis will require dramatic improvement in the health-related actions and health status of Americans. Engaging people in quality care that ensures they get healthy, stay healthy, and/or proactively manage chronic conditions, drives lower costs and improved outcomes. It's a task that sounds simple, but presents incredible challenges.

One of the keys to achieving the necessary improvement is expanding healthcare access and education to more people, particularly the medically underserved and uninsured. Health insurance exchanges and Medicaid expansions under the Affordable Care Act (ACA) have increased access to millions of Americans. This coverage growth, along with the industry move toward tightly coordinated, value-based care, is driving more demand for healthcare resources – especially primary care – creating significant opportunity for Federally Qualified Health Centers (FQHCs or health centers.) While well-positioned to meet this demand FQHCs must evolve from their roots as “mission-first, margin-maybe” to organizations with a foundation of “no margin, no mission in order to be successful.”

## The road to sustainability

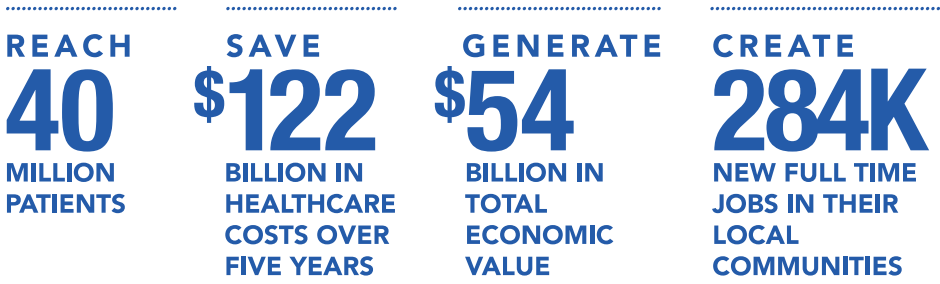
FQHCs face a powerful convergence of pressures that, if left unaddressed, threaten to shutter many health centers. Rooted in a mission to serve our nation's poor and uninsured populations, many FQHCs evolved as organizations well-equipped to deliver quality care, but ill-equipped to operate financially sustainable businesses. Confronting uncertainty beyond the recent two-year extension to Community Health Center funding, along with Medicare reimbursement changes and increasing costs to treat the uninsured,<sup>1</sup> FQHCs must retool their business operations and models to ensure survival. No longer can health centers operate under the old “free clinic” notion that earning just enough revenue to cover costs makes them viable. In today's environment, continuing to serve the needy requires both a clinically-focused and financially healthy organization.



Amid the pressures, a new breed of FQHC leadership is emerging and setting the bar for the future – they are becoming prevention engines that sustain themselves. “Leaders are emerging in the FQHC world that are equipped to run any business organization,” says Don McDaniel, CEO of Sage Growth Partners (SGP). “They understand the importance of financial stability and solvency, and they’re restructuring in a way that ensures they will thrive.”

Successful health center leaders inspire their organizations with new ways of thinking, strategic planning, and a comprehensive approach to ensuring both a strong delivery model for quality patient care and profitable margins. Sustainable FQHCs are taking on a different role in the community – one that competes for more mainstream primary care patients, delivers more comprehensive services, and focuses on increased visibility.

**Did you know? In 2015, health centers are poised to:**



NACHC, Capital Link, August 2010, “Community Health Centers Lead the Primary Care Revolution”

To compete in their local healthcare markets, FQHCs must meet the demand for primary care services. Their offerings must be comparable or above par when it comes to the quality of staff, services, and condition of the physical space offered to patients. According to the National Association of Health Centers (NACHC), health center patients already “receive more preventive services than patients of other primary care providers.”<sup>ii</sup> Additionally, health center patients also receive outstanding treatment for chronic conditions. A national study found that FQHCs perform better than private primary care organizations on six of 18 measures typically used to evaluate performance, and equal to the private physicians on the remaining 12.<sup>iii</sup>

Health centers must be able to take this excellence in primary care and extend it to a wide range of population health initiatives. With a natural focus on quality and outcomes, FQHCs already have the mindset necessary for success with population health. Ensuring a viable business model that supports this vision will put the FQHC in a position where it can be successful and broaden the reach to those in need.

**Insights from successful FQHC leaders**

The following sections offer real-world insight and guidance from leaders of U.S. health centers as they share how they transformed their organizations to prosper in a world of ever-changing federal funding and reimbursement structures while accelerating to meet the increased demand for quality primary care services.

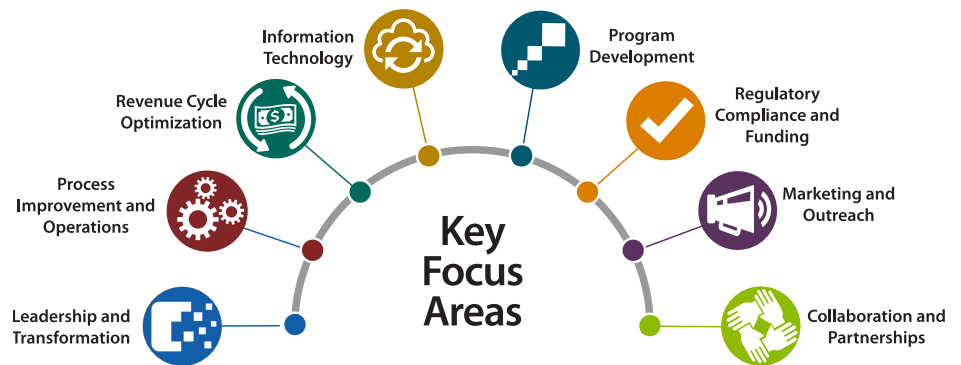
Touching on eight areas of focus, FQHC leaders we interviewed demonstrate how they successfully led business and cultural change that fosters a continued mission of caring supported by a fiscally-sound foundation.

*“Community Health Centers are laboratories of innovations, with proven and locally-created best practices, experience providing team-based care and functioning as medical homes, and linkages between public health and medical care. They are blazing the path towards a more accessible, patient-centered, and comprehensive healthcare system.”*

– NACHC Capital Link, Community Health Centers Lead the Primary Care Revolution, August, 2010

"Our experience has been that the mission without the business orientation is really a failed promise."

Don McDaniel, CEO  
Sage Growth Partners



## 1. Leadership and transformation

Transforming the cultural mindset and business practices of any organization requires a clear vision and committed, solid leadership. Moving FQHCs from mission-heavy and profit-light to a balanced focus on mission and margin takes a dedicated leader, backed by a team and hard work. "Our experience has been that the mission without the business orientation is really a failed promise," noted McDaniel.

Successful FQHC leaders evaluate and view their centers as business entities that must make a profit to fuel their missions. They make decisions – many difficult – to stabilize financial instability and set the course for growth and financial solvency. Many of the FQHC leaders interviewed inherited fiscally-troubled centers – some that were just weeks or a few short months from having to close their doors. By identifying and addressing the core reasons for the problems, these leaders moved quickly to restructure their organizations, redesign processes and workflows, and uncover sustainable sources of revenue.

### Case Study: Strong leadership saves Heart City Health Center



In 2005, Vernita Todd assumed the role of CEO at Heart City Health Center (HCHC), an eight-year-old FQHC look-alike in Elkhart, Indiana. "There were financial difficulties when I arrived. Everyone wanted our head on a platter when I got here," said Todd. "HCHC was being run very much like a non-profit social service agency which meant we had big hearts and wanted to help everybody regardless of how they were going to pay their bills. I quickly realized if you don't pay your bills, you don't help anybody so we went on a pretty difficult round of layoffs." Though painful, Todd and her team reorganized and HCHC was able to recover. "As a result of the fixes, I told the Board we won't get rich, but the place should pay for itself."

By recognizing the center's dire situation, Todd implemented changes that were necessary to ensure HCHC stayed open and continued serving the community. They succeeded. In 2013, HCHC found itself operating in the black. They served over 10,000 patients and posted revenues of \$6.3 million with \$6.1 million in expenses.



Scenic Health, a new clinic operated by Heart City Health Center.

Other health centers share Todd's perspective on the importance of mission and margin. As part of the guiding principles shared on their web site, Family First Health in Pennsylvania says, "To keep patients healthy, we need a healthy organization. We understand that organizational health means being fiscally responsible, managing our team to meet the highest standards, ensuring our providers and staff receive the best possible training, being active members of our community and creating a positive work environment. We actively look at the whole picture, even beyond what most consider being healthy."

## 2. Process improvement and operations

Today's health center leaders face a world far more complex than that of their predecessors. CEOs, COOs, CIOs and Medical Directors encounter more regulatory requirements, a growing reliance on information technology (IT) solutions, and many other challenges affecting the ability to expand and build new programs to provide high quality, affordable care that meets the needs of their communities. Operational excellence and meaningful process improvements are vital to addressing complexities and achieving sustainability and growth.

To implement the changes that achieve improved patient health in a fiscally-sound way, leaders must first acquire a deep understanding of how their organizations currently operate.

This understanding of operations and workflows enables leaders to identify and prioritize needed changes. For example, recognizing the financial opportunities associated with expanding their primary care services to new patient populations, many leaders are in the process of redesigning primary care workflows. Common obstacles to extending these services to more mainstream patients were cited as long wait times, registration errors, lengthy care cycles, poor chronic disease outcomes, and high staff turnover rates. Armed with this knowledge, many, like Richard Larison, CEO of Chase Brexton Health Care, have efforts underway to implement more efficient care models.

### Case study: Process transformation at Chase Brexton Health Care



Headquartered in Baltimore, Maryland, Chase Brexton Health Care was founded as a volunteer-run, gay community center in 1978. Today their staff of 300 operates six clinics in the Baltimore area. Staying true to their mission of serving the diverse needs of their community meant expanding their primary care services to the growing number patients with health insurance exchange coverage. "...If we wanted to

provide healthcare to the newly insured, changes were needed in the way we delivered care," said Larison. "We looked at patient flow, access, and outcomes. After a careful assessment, we realized that there was room for improvement in all of these areas."

#### FQHC Process and Operational Challenges



**Integrating  
medical,  
dental and mental  
healthcare**



**Expanding and,  
renovating offices,  
buildings and  
satellite clinics**



**Implementing or  
enhancing  
electronic  
health records**



**Adapting EHRs to  
future  
population  
health needs**

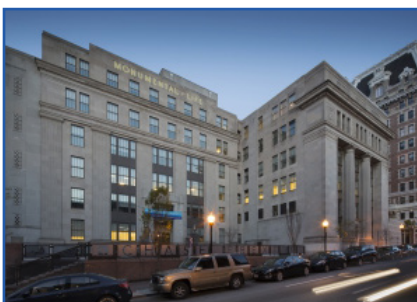


**Establishing  
family medicine  
residency  
programs**



**Joint  
commission  
accreditation  
and HRSA audits**





Chase Brexton Health Care in the Mount Vernon area of Baltimore.

*"If we wanted to provide healthcare to the newly insured, changes were needed in the way we delivered care."*

Richard Larison, CEO  
Chase Brexton Health Care

*"We collect at check-in as opposed to check-out because a lot of people will walk out from encounters and not pay. [Based on this change] we saw a 60 percent increase in our collections."*

Laurie Kane-Lewis, CEO of  
DFD Russell Medical Center  
(Leeds, ME).

### Successful FQHC leaders encourage peers to:



Develop an intimate understanding of your center's operations



Cultivate a solid financial aptitude



Surround yourself with a competent, dedicated team and delegate to them



Invest in staff training



Consider engaging external help (particularly in areas of weakness) to accelerate turn around

Larison, along with his team, have re-engineered processes over the last two years, dramatically altering the way they are delivering care. "The first thing we did was move from a doctor-driven model to a team concept. We started building medical pods and built a model that is now paying dividends. We tried very hard to build a model that is medical, behavioral health and integrated at the pod level. I think it's a model that is working very well for us and seems to be helping us move closer to a population health model as we start to move down that road."

The implementation of an integrated, patient-centered medical home model at Chase Brexton is just one example of how an FQHC and its leadership is driving large-scale operational changes designed to drive sustainability and growth. Successful leaders review and evaluate existing operations against current and future needs and plans to develop the right changes and improvements for their organizations.

### 3. Revenue cycle optimization

Net collections, bad debt, accounts receivable, claims denials and resubmissions, and days-cash-on-hand – they're all frequently discussed topics in the c-suites of healthcare organizations around the country – including the most successful FQHCs.

Effective revenue cycle management strategies, processes, and workflows enable health centers to optimize revenue and margin in a way that allows them to reach more patients with their services. It is the essence of "no margin, no mission." With all the financial pressures and uncertainties facing FQHCs, efficient, proactive revenue cycle management is a priority for survival.

### Whether health centers develop proficient in-house billing departments or opt to outsource the function, following these three guiding principles will help achieve a healthy revenue cycle:



Collect from as many patients as possible



Collect as early as possible, preferably before the patient receives services



Use the fewest steps

## Case Study: Saving DotHouse



When Walter Ramos joined DotHouse Health (formerly known as Dorchester House) as President and CEO in 2012, he quickly confronted a range of difficult operational issues that stood in the way of the growth he had envisioned for the center that had been part of the community dating back to 1887.

Armed with the understanding that DotHouse was getting paid for just one of every two patients who came through the doors, Ramos engaged external specialists and an internal team to optimize workflows and efficiencies. "Although our mission is to take care of everyone, you can't survive on 50 percent. We were spending more operationally than we were taking in and we needed to improve fast."

Over a two-year period, DotHouse overhauled the billing department, implemented a new EMR system, created a revenue cycle blueprint, and trained staff. The results were evident and far-reaching. The financial situation stabilized – net collections increased by 18 percent, \$2 million in bad debt was collected, and A/R days decreased by 17 days (from 61-44 days) – and today DotHouse is a thriving medical home focused on keeping patients and consumers healthy. "We are now two years into being in the black. . . We have now gone from an institution that was in serious trouble to one that is now the envy of many in the FQHC world," said Ramos.

As a result, Ramos is realizing his vision for DotHouse through expanded services and reach into the community. "We have a lot under one roof and we provide well-being in a number of ways," said Ramos. Beyond providing primary care services, DotHouse serves as a community lifeline through its food pantry, dental clinic, swimming pool, teen center, gymnasium, and urgent care clinic. "We take care of those issues that are preventative in nature by helping individuals their whole life, from cradle to the elderly years. We take care of those that are most vulnerable and I think that's the value of community health centers. Without us, the Dorchester community would have a significant void, [but] we are going to be here for another 120 years."

An experienced revenue cycle management team, as well as making financial health part of the strategic plan communicated to all staff, will help avoid billing pitfalls, accelerate payments, and ensure revenue collection remains high.

## 4. Information technology

In recent years, U.S. physician offices and hospitals have accelerated the adoption and use of patient electronic health records (EHRs) and other health information technology. Government incentives – like Meaningful Use – provided the catalyst for some IT acquisitions, while the obvious efficiencies and value offered by IT solutions prompted many others to implement them in their organizations. According to a 2014 Commonwealth Fund study, 93 percent of FQHCs now have an EHR system, a 133 percent increase from 2009.<sup>iv</sup>



*DotHouse Health center located in Dorchester.*

*"I think it will be continually important for us to hire competent staff to ensure that the health center management is very in tune with the regulation changes and responds appropriately and in a timely manner," commented Laurie Kane-Lewis, CEO of DFD Russell Medical Center (Leeds, ME).*



IT solutions alone, however, won't improve health center performance and viability. Successful leaders know that it's critical to identify the organization's business needs and problems before selecting and installing any IT solutions. The solutions chosen should support and accelerate the FQHC's business and clinical goals.

At Cornell-Scott Hill Health Center in New Haven, Connecticut, Chief of Information Technology, Clark Woodruff developed, implemented and managed a complete overhaul of the center's information technologies, becoming one of the first FQHC's in the country to have an integrated EHR, encompassing internal medicine, dental and behavioral health. But he did it in response to the business and operational needs of the health center. "I'm not a traditional IT person," said Woodruff. "I have all the certifications, but I have a business focus – you have to understand what you are looking for – this is the hardest part. I work with the business and translate it into IT functionality."

Woodruff's perspective was echoed by Pat Grotton, CIO of Greater Lawrence. "The whole IT package means purchasing the right product, implementing the right solution and making it successful for everybody." Grotton says leaders should understand technology, but also be adept at communicating the value and benefits to the broader organization. He added, "Be an expert purchaser of IT and really look at how an organization can maximize the investment in IT and automation without burning out staff."

***"The whole IT package means purchasing the right product, implementing the right solution and making it successful for everybody."***

## 5. Program development

Part of the FQHC evolution lies in developing programs that meet the evolving needs of their communities. Successful leaders envision health centers that meet diverse community needs, not just one or two. A holistic approach that tackles clinical and socioeconomic conditions is critical to improving the health status of the FQHC patient population.

This evolution is playing out in many centers as they engage in both broad health programming, including population health initiatives, more targeted quality improvement programs like the Health Disparities Collaboratives, and social programming that focuses on issues prevalent in their communities, such as hunger and lack of basic transportation.

To many FQHCs, program development and expanding revenue sources go hand-in-hand. Many FQHC leaders are asking, "How can we achieve the best outcome for this patient, report outcomes, and receive the highest rate of reimbursement for the comprehensive services provided?" Developing and deploying new programs requires financial stability and a sustainable model. According to Janice Wilson, CEO at North Shore Health Systems, "HRSA [the Health Resources and Services Administration] is using the FQHCs to come up with best standards of practice for asthma, infant care,



hypertension, controlling diabetes, obesity, substance abuse – all areas that drain the system.” Responding to that need demands a sustainable business. Added Jenny Englerth, CEO of Family First Health (York, PA), “We have to expand our revenue sources, so that’s meant working through our strategic plan, redefining ourselves and building the sustainability model.”

***“We have to expand our revenue sources, so that’s meant working through our strategic plan, redefining ourselves and building the sustainability model.”***

## 6. Funding and regulatory compliance

While most FQHC leaders agree that health centers cannot survive grant-to-grant, many health centers have evolved with a dependence on HRSA grants and dwindling Medicare/Medicaid payments as their primary revenue sources. To be sustainable, health centers must transform their revenue strategies, using the grants to supplement core income. Commented one FQHC leader, “As long as people keep thinking grants are the answer, the FQHC will never truly be independent and viable long-term.”

Leading FQHCs have broadened their vision and are seeking ways to expand revenue sources beyond the government. They are accepting greater risk through insurance agreements, developing additional program offerings, pursuing new markets, and creating partnerships to expand their continuum of care services. Quality initiatives that provide additional funding have become part of many strategic plans to secure financial sustainability. A natural extension of the FQHC focus on quality care, participation in value-based care models – including population health initiatives and patient-centered medical homes – offers another source of revenue.

According to Laurie Kane-Lewis, CEO of DFD Russell Medical Center in Leeds, Maine, “The financial health of the FQHC is always part of the strategic plan and why we work so hard at quality data reporting and meaningful use.” Recognized by HRSA as the highest-ranking health center in the nation for its commitment to quality care, DFD Russell Medical Center also holds the distinction of being a Medical Group Management Association “superior performer” in practice as a successful medical group. Kane-Lewis cites the health center’s long-running participation in quality improvement activities and in the PCMH model for keeping her organization both patient focused and fiscally sound.

Leaders also know they must stay on top of regulatory requirements, as they will continue to accept federal grants and funding, and their position as an FQHC requires it. “I think it will be continually important for us to hire competent staff to ensure that the health center management is very in tune with the regulation changes and responds appropriately and in a timely manner,” commented Kane-Lewis.

## Impacts of High-Quality

Lower costs



Health centers save



per patient per year

Health center patients have:



18%

lower rates of emergency department visits



64%

lower rates of multi-day hospital admission



1/4

of total hospital inpatient bed days compared with non-health center patients

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"HRSA [the Health Resources and Services Administration] is using the FQHCs to come up with best standards of practice for asthma, infant care, hypertension, controlling diabetes, obesity, substance abuse – all areas that drain the system."

Janice Wilson, CEO at North Shore Health Systems,

## 7. Marketing and outreach

Historically, FQHCs have relied on labor-intensive outreach to attract new patients and develop cross-referral networks with care partners. As they seek to compete with other primary care providers for newly-insured patients from the health insurance exchanges, marketing and outreach are vital.

"There's certainly been a public relations and marketing component (to growing revenue) that we've been working on heavily over the last three years, and it really has paid off in repositioning us in the community," commented Englerth.

***"There's certainly been a public relations and marketing component (to growing revenue) that we've been working on heavily over the last three years, and it really has paid off in repositioning us in the community," commented Englerth.***

"We have branched out to participate with more insurances than in the past, looked at fundraising opportunities in ways we hadn't in the past. . . really positioning ourselves as a non-profit in the community that is both worthy of – and in need of – community support. It's been a conscious effort to get the word out and connect with key stakeholders as well as different segments of the population that might need care or know someone that needs care."

In addition to marketing, community outreach offers another path for raising health center visibility and credibility. "A lot of what we do stems from meeting the unique needs of our community," said Toni Estep, CEO of Open Door Health Services in Muncie, Indiana. "I attend a lot of meetings and sit on several boards. If there's a committee that's health-related, I'm usually sitting on it." Estep added that simply being visible and listening to the community's needs provides an important input to their strategic planning process, while helping to build their brand presence. "I think knowing that we don't have to provide everything ourselves but just serve as the connecting point (to patients) really helped us to build a reputation in our community that helped us to grow."

Savvy FQHCs leaders see their roles as part of the greater healthcare market. The stigma of being a clinic for the poor is being replaced with a concerted effort to grow and make both the uninsured and recently insured aware of the quality of services and providers that exist in FQHCs.

## 8. Collaboration and partnerships

Amid change brought on by the ACA, FQHCs are facing great pressure on margins, forcing them to ask if they are prepared to be a sustainable player in the consolidating healthcare market. Health systems have been buying hospitals and forming ACOs, which begs the question of whether FQHCs will need to join an ACO or find some other partnership to preserve their mission and continue to represent their constituents.

ACA and state Medicaid and Medicare demonstration projects have compelled FQHCs to convene and seek answers about how to remain viable within more competitive, newly-opened healthcare markets. While primary care associations (PCAs) can be ideal connectors of FQHCs to explore new business models, often it takes an expert on the state and national healthcare scenes to understand and choose the best models for their local geography.

One example, the Minnesota Accountable Health Model, offers Minnesota FQHCs a partnership path with Minnesota Medicaid that aligned to their mission. The goal of the Minnesota Medicaid ACO “is to ensure that every citizen of the state of Minnesota has the option to receive team-based, coordinated, patient-centered care that increases and facilitates access to medical care, behavioral health care, long-term care, and other services.”<sup>v</sup> Providers involved in the demonstration project will develop and test models of integrated care within their communities. Organizers expect to serve nearly three million patients by 2016, engage with a variety of payers under value-based payment arrangements, and achieve projected savings of \$111 million over three years.<sup>vi</sup>

While ACOs present one partnership option, there are others, including: management services organizations (MSOs), independent physician organizations (IPAs), and managed care organizations (MCOs). Exploring a variety of options with local and national experts will help provide FQHCs with the most complete understanding of opportunities to assess against the need to expand mission and margin.

## Summary

In this era of health reform, a new profile of the successful FQHC is emerging. Driven by an unwavering mission to provide healthcare access to those who might not otherwise have it, the successful health center views a sustainable revenue model as equal in importance to quality clinical delivery. Leaders



of these organizations run them as businesses. Facing the realities of declining federal funding and reimbursements, they identify and go after new revenue streams to grow margins, re-engineer processes to achieve optimal operating efficiencies, and introduce meaningful IT solutions to automate and accelerate workflows. While the changes are often challenging, they are both necessary and positive.

“Now, in the past few years, we have organizations that have been re-tooled, better positioned with tremendous leadership and leadership leverage in the healthcare community,” said McDaniel. “The return on this capability set over the next 20-30 years is going to be tremendous.”

*“We have branched out to participate with more insurances than in the past, looked at fundraising opportunities in ways we hadn’t in the past. . . really positioning ourselves as a non-profit in the community that is both worthy of – and in need of – community support.”*

*Jenny Englerth, CEO of Family First Health (York, PA).*

## About The Author

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<sup>i</sup> A Sketch of Community Health Centers Chart Book 2014, Fig. 7.2, National Association of Community Health Centers, 2014.

<sup>ii</sup> Snapshot: Health Centers Provide Better or Equal Care Compared to Other Primary Care Providers, National Association of Community Health Centers, December 2012.

<sup>iii</sup> Ibid.

<sup>iv</sup> J. Ryan, M. M. Doty, M. K. Abrams, and P. Riley, *The Adoption and Use of Health Information Technology by Community Health Centers, 2009–2013*, The Commonwealth Fund, May 2014.

<sup>v</sup> *The Minnesota Accountable Health Model*, Minnesota Department of Health, <http://www.health.state.mn.us/healthreform/sim/>

<sup>vi</sup> Ibid.