



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1167

Grants for Community Health Centers (DHFS)

[LFB Summary of the Governor's Budget Reform Bill: Page 53, #9]

CURRENT LAW

1999 Act 9 (the 1999-01 biennial budget act) created the state community health grant program. In 2002-03, \$3.0 million is budgeted for grants to supplement federal funds federally qualified health centers (FQHCs) receive under the Public Health Services Act to support their operations. The program also provides \$50,000 annually to a community health center in a first class city (the 16th Street Community Health Center in Milwaukee) and \$25,000 to Health-Net of Janesville, Inc.

GOVERNOR

Delete \$3,075,000 GPR in 2002-03 and repeal the community health center grant program, effective July 1, 2002.

DISCUSSION POINTS

1. In order to be designated as an FQHC, a health center must meet the following criteria: (a) serve a federally designated health professional shortage area, medically underserved area or a medically underserved population; (b) provide services to all patients regardless of insurance status; (c) use a sliding fee scale for uninsured patients that is based on income status; and (d) operate as a nonprofit corporation governed by a board of directors in which the health center's users constitute a majority of the membership.

2. Under the federal program, health centers are required to bill third-party payers for patients who have coverage so that the federal program funds may be used to serve uninsured

persons. Grantees apply directly to the federal program. Federal funding is not contingent on a state matching contribution.

3. Currently, 14 centers are eligible for the state grant. The amount of each center's grant is determined by each center's proportion of the total federal FQHC grant funding. The table below shows the distribution of federal and state community health center grants in 2001-02.

**Community Health Center Grant Program
Fiscal Year 2001-02**

<u>Community Health Care Center</u>	<u>Federal Grant</u>	<u>State Grant</u>
Family Health Medical and Dental Center, Wautoma	\$737,817	\$213,900
N.E.W. Community Clinic, Green Bay	248,399	72,000
Sixteenth Street Community Health Center, Milwaukee	1,463,678	424,350
North Woods Medical Cooperative, Minong	432,852	125,490
Beloit Area Community Health Center, Beloit	647,110	187,590
Northern Health Centers, Inc., Lakewood	374,775	108,660
Health Care for the Homeless, Milwaukee	1,179,459	341,940
Scenic Bluffs Community Health Center, Cashton	692,765	200,850
Bridge Community Health Clinic, Wausau	393,973	114,210
Kenosha Community Health Center, Kenosha	611,224	177,210
Family Health Center, Marshfield	1,589,330	460,770
Milwaukee Health Services, Milwaukee	1,292,752	374,790
Westside Healthcare Association, Milwaukee	227,884	66,060
Lake Superior Community Health Center, Superior	<u>455,914</u>	<u>132,180</u>
 Total	 \$10,347,932	 \$3,000,000

4. Health centers have used the state grant to hire additional providers and increase the number of patients they serve. The Wisconsin Primary Health Care Association indicates that the centers served 82,317 patients in 1998, before these agencies received the state grant, and 101,726 patients in 2000, the first full year after the state grant funding was available to these agencies. Increases in the federal grant and other revenues may have also contributed to the increase in the number of patients that the centers are able to serve.

5. In addition to expanding access, the health centers have used the state grant to increase the number of examination rooms, extend clinic hours, increase dental care services, employ more bilingual providers and provide translation services, create smoking cessation programs, install case management services and provide more programs for pregnant women, diabetic health care, cardiovascular services and other community care services.

6. Current information on total operating revenues and expenses for the state FQHCs is

not available at this time. According to information compiled by the Wisconsin Primary Health Care Association for 2000, the 13 centers that were eligible for the grants at that time had revenues totaling \$67.6 million. This included revenue from third-party payers (59.3%), federal community health center grants (12.7%), foundations and private grants and contracts (9.1%), state community health center grants (4.4%), patient self-pay (4.0%), other state and local contracts (3.7%), other federal grants (1%) and miscellaneous revenues (5.8%). An additional center became eligible in 2002.

7. The amount of funding the state's FQHCs will receive in 2002-03 under the federal program is not known at this time. However, based on current funding proposals before Congress, the Wisconsin Primary Health Care Association estimates that FQHCs in Wisconsin may receive approximately \$11 million in that year. If this occurred, the loss of state grant funding for these FQHCs would only be partially offset by the increase in federal funding. In addition, federal law provides that federal grant funding cannot be used to supplant other revenue sources. It would appear, therefore, that FQHCs would have to use any increases in federal funds to support services not currently funded with the state funds.

8. If the Committee adopts the Governor's recommendation to eliminate the grant program, the state's FQHCs would need to reduce the current level of services they provide unless they are able to offset this loss of state funds from other sources.

9. In addition to the \$3.0 million annually DHFS distributes to FQHCs, the community health center grant program provides two supplemental grants totaling \$75,000 annually. By statute, DHFS is required to annually provide \$50,000 to a community health center in a first class city, and \$25,000 to Health-Net of Janesville, Inc.

10. While more than one health center would qualify for the \$50,000 supplemental grant, the Legislature intended to provide this funding to the Sixteenth Street Community Health Center. The center has used the funding to hire an obstetrics nurse to provide supportive prenatal care and increased prenatal teaching and lactation services. This has increased access to health care for primarily low-income, non-English speaking Hispanic pregnant women.

11. Health-Net of Janesville has used the \$25,000 annual grant to increase pediatric services, provide a weekly mental health support group for clinic patients and provide limited emergency dental care.

12. As with the FQHC grant program, if the supplemental grant funding is eliminated, it is unlikely that these two organizations would be able to maintain these expanded services.

13. Because many of the centers have used the grant funding to hire additional providers and expand ongoing services, the Committee could consider phasing out the program over the next two years so that the centers could continue to support some additional services with state funding, while they examine options to find other sources of revenue.

14. For example, the Committee could sunset the program on July 1, 2004, and reduce

funding by \$1,025,000 GPR in 2002-03 so that \$2,050,000 GPR would be available for state grants in that year (\$2,000,000 for FQHCs, \$33,300 for the 16th Street Health Clinic and \$16,700 for Health-Net). In 2003-04, \$1,025,000 GPR would be available for grants (\$1,000,000 for FQHCs, \$16,700 for the 16th Street Health Clinic and \$8,300 for Health-Net). No funding for state grants would be provided in 2004-05 and subsequent years.

15. Another option would be to reduce funding for grants by 50%, beginning in 2002-03, but to retain the program so that \$1,537,500 GPR would be provided annually for DHFS to support grants to FQHCs (\$1,500,000), the 16th Street Health Clinic (\$25,000) and Health-Net (\$12,500).

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to delete \$3,075,000 GPR in 2002-03 and repeal the community health center grant program, effective July 1, 2002.

2. Modify the Governor’s recommendation by reducing funding for the program in each of the next two years and repealing the program, effective July 1, 2004. Delete \$1,025,000 GPR in 2002-03 so that \$2,050,000 GPR would be available for grants in 2002-03 (\$2,000,000 GPR for grants to FQHCs, \$33,300 to the 16th Street Community Center and \$16,700 to Health-Net). Modify statutory provisions relating to the program to require DHFS to provide not more than \$1,025,000 GPR for grants in 2003-04 (\$1,000,000 GPR for FQHCs, \$16,700 GPR to the 16th Street Community Center and \$8,300 GPR to HealthNet) and to repeal the program, effective July 1, 2004.

Alternative 2	GPR
2001-03 FUNDING	\$2,050,000

3. Modify the Governor’s recommendation by restoring \$1,537,500 GPR in 2002-03 to continue the program at one-half of its current funding level, and deleting the Governor’s recommendation to repeal the community health center grant program, effective July 1, 2002. Modify statutory provisions relating to the program to require DHFS to provide not more than \$1,500,000 for grants to FQHCs, \$25,000 for grants to the 16th Street Community Center and \$12,500 for grants to Health-Net, annually, beginning in 2002-03.

Alternative 3	GPR
2001-03 FUNDING	\$1,537,500

4. Maintain current law.

Alternative 4	GPR
2001-03 FUNDING	\$3,075,000

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