

# **Preparing for Health Care Reform: Decision Factors for Safety-Net Clinics Not Receiving Third Party Reimbursements**

## **Introduction**

Safety net clinics in the U.S. are extremely diverse in their structures, funding, and service populations. Much of the attention around health care reform has been on community health centers and other federally qualified health centers (CHCs/FQHCs) and FQHC “look alike.” The Affordable Care Act (ACA) includes funding to double the service capacity of CHCs/FQHCs by increasing the numbers of clinics and service sites. The Act provides one specific benefit for free clinics: expansion of medical malpractice protection to paid officers, board members, employees, and contractors as well as volunteers. Otherwise, safety net clinics that are not CHCs/FQHCs or “look alike” receive no benefits under ACA except the opportunity to apply for FQHC or “look alike” status and the increased potential for third party payments because patients who were formerly uninsured will become eligible for Medicaid or for federally subsidized private insurance under a health insurance exchange.

These safety net clinics face difficult decisions in preparing for health care reform. This is particularly true for free clinics and other nonprofit and public clinics that do not receive third party reimbursements. Typically, such clinics are funded through a combination of government grants, foundation and corporate support, and individual contributions. Some receive support from religious entities. Many depend heavily on in-kind support from volunteer physicians and other clinical and non-clinical personnel, medical residents and interns, and other health professions and social work students.

Among the key questions these clinics need to answer are the following:

- 1. If we continue operating under our current structure and procedures, how will health care reform affect our patient population and our revenues and sustainability?**
- 2. If our future sustainability is in question, what are our options for change?**
- 3. What are the costs and benefits of these options, and which are both philosophically acceptable and financially and operationally feasible for us?**
- 4. How do we decide on a plan of action?**
- 5. How do we obtain the support needed to implement our plan?**

The process below details the issues and more specific questions you may want to consider in answering these questions. For a quick summary of key options and their implications, review the attached decision-tree chart.

## A Process for Decision Making

Following is a suggested process for decision making, designed for non-CHC/FQHC safety net clinics that do not currently accept third party reimbursements or have very limited experience with such reimbursements (such as DC clinics that are part of the DC Healthcare Alliance but are not Medicaid or Medicare certified and do not take private insurance). For many clinics, this process will require consultant assistance. Clinic associations may be able to help. Often a current funder will provide access to training and/or a consultant that can assist you in obtaining and analyzing the information needed for decision making, or a Board or staff member may be able to identify a *pro bono* consultant to assist you. Consult with other safety net clinics that may have lessons to share.

The first three steps involve gathering and analyzing the information you need to make an informed decision about third party reimbursements and operating models. The remaining steps focus on making your decisions and then planning and taking action to implement them.

### **1. Become familiar with the implications of health care reform and educate your Board, staff, volunteers, and other stakeholders.**

- Learn about the main components of the ACA and their implications for clinics and uninsured Americans.
- Become familiar with your state's health care reform plans.<sup>1</sup>
- Provide a presentation to your Board of Directors and encourage formation of a task force or committee to work with staff on exploring options.

### **2. Determine your future sustainability by assessing the implications of health care reform, particularly with regard to the following:**

#### ***a. How will your patient population change in size and characteristics?***

- What proportion of your current patient population is uninsured?
- Under health care reform, what proportion of your current patients will become eligible for Medicaid or participation in a health insurance exchange – and are likely to be lost to you since you do not accept third party reimbursements?
- What proportion of these current patients would like to remain your patients after they become insured? What will make them want to stay?
- What proportion of your patients do you believe are ineligible for health care reform benefits because they are undocumented, recent immigrants or refugees (with legal status, but in the U.S. less than five years), or temporary U.S. residents?
- What proportion of your current patients are likely to continue to need your help in order to access services under health care reform (for example, individuals with barriers to care such as homelessness, mental illness, or substance use)?

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<sup>1</sup> State websites for the region include the following: <http://healthreform.dc.gov>, <http://dhmh.maryland.gov/exchange/SitePages/Home.aspx>, and <http://www.hhr.virginia.gov/Initiatives/HealthReform/index.cfm>. Updates for each state are also available from the Kaiser Family Foundation, at <http://healthreform.kff.org/State-Exchange-Profiles-Page.aspx>.

- To what extent are you likely to see an increase in patients who are either ineligible for health care reform or unlikely to benefit without special assistance?
- b. *If you continue current operations, how will your revenues and in-kind resources change once health care reform is fully implemented in 2014?***
- What are your current revenues and expenses?
  - Will you retain your volunteers and continue to be able to attract new volunteers?
  - What is likely to happen to your current public grants – federal, state, and local? Will they continue, be modified, or be eliminated after 2014?
  - How do your foundation and corporate donors plan to adjust their grantmaking? Will they continue to support you?
  - What is likely to happen to individual donations?
  - Are there changes your public and/or private funders expect your clinic to make if you want their continued support – such as having a fully implemented electronic health records (EHR) system that can generate reports on clients, services provided, and quality measures; expanding services; or making other changes in your model of care?
- c. *What is likely to happen to your “bottom line” – revenues versus expenses?*** Given projected changes in your patient population and your revenue sources, can you expect to be financially sustainable if you maintain our current structure, operations, and services?
- 3. If it appears that the clinic as currently structured will not be financially sustainable under health care reform, identify and explore options for change.** Consider the major options available to you:
- a. *Develop the capacity to obtain third party reimbursements, including EHR and billing systems, capacity, and certifications,*** to increase revenues and open up options such as the following:
- Continue operation as a safety net clinic but with additional revenue sources including Medicaid, Medicare, and private insurance – by becoming Medicaid- and Medicare-certified and contracting with Medicaid Managed Care Organizations (MCOs) and insurers that are part of the health insurance exchange in your state
  - Become an FQHC or “look alike”
  - Collaborate with other clinics, adopting the same EHR and perhaps sharing costs and/or doing joint billing
  - Become a patient-centered medical home
  - Become part of a health home or other network
- b. *Develop relationships that enable your organization to remain sustainable without third party reimbursements;*** for example:
- Contract with a CHC/FQHC to provide recruitment and retention services for a particular population, using a funding mechanism that does not require complex billing
  - Document your importance as a safety net provider to key funders whose support will enable you to remain sustainable – taking actions such as fully implementing an EHR system and demonstrating your effectiveness with hard-to-serve populations

**c. *Merge with or become a project of another organization***

- Merge with a CHC/FQHC and perhaps provide a new access point for services
- Merge with another safety net clinic so that together you have the size and capacity to document your value to funders even after health care reform is implemented
- Become part of a hospital-based system
- Become a project of a larger organization that provides both health care and other services

**4. Eliminate options that are not philosophically acceptable or should not be considered for other reasons,** regardless of financial feasibility. Engage your Board, staff, and key volunteers in this discussion, ensuring that they understand the need for action to keep your clinic sustainable:

- Carefully consider philosophical and values-based issues related to changing your structure or operating model. For example:
  - If you are a free clinic, are you willing to seek third party reimbursements?
  - If you are considering seeking FQHC status, are you willing to charge patients using a sliding fee scale, and to have a Board that is majority consumers?
- Consider whether you are willing to consider a merger if it will ensure that your patient population has access to needed services?
- Eliminate options you are not willing to consider.

**5. Decide whether your clinic should begin obtaining third party reimbursements.** In making this decision, consider the following:

- Is receiving such reimbursements a necessity for the operating models and options you are considering?
- What assistance can you obtain to develop needed capacity?
- How much income might you expect from third party reimbursements, based on an analysis of the probable number of insured patients, types and level of services you are likely to provide them, and expected reimbursement rates?
- How much revenue from third party reimbursements do you need to make the costs of such billing worthwhile?
- How will accepting third party reimbursements affect your other revenues and in-kind support? Will current funders be more or less likely to continue supporting you if you receive reimbursements?
- What will it cost to develop and maintain EHR and billing systems?
- What will happen to your medical malpractice costs if you are currently a free clinic and receive malpractice protection through the Federal Tort Claims Act?
- Overall, what is the likely effect on your bottom line?
- What will be the temporary costs in staff time and productivity while you implement these systems?

**6. Assess the benefits, costs, and operational feasibility of operating models/options that remain under consideration.** Explore each option in terms of:

- Benefits for your patients and for the organization as a whole

- Costs, financial and programmatic
- Potential partners and supporters
- Capacity development needs and resources
- Feasibility – can you do this successfully?

**7. Decide which (one or more) options you will pursue.**

- Agree on what you consider the most promising approach – or pursue two options if appropriate
- Make sure your Board, staff, and volunteers understand and support your decision and are prepared to assist you
- Inform important funders and partners and gain their support

**8. Develop a plan of action, including assistance required and possible sources of that assistance.**

- Include specific goals and interim objectives
- Specify responsibilities for each task
- Establish a timeline that allows you to monitor progress and recognizes external deadlines such as the implementation of health insurance exchanges in 2014
- Provide for regular review and refinement of your plan based on changes in the external environment as well as experience gained as you proceed
- Seek buy-in from your stakeholders and partners, including key funders

**9. Obtain needed support to implement needed action.**

- Seek assistance from your clinic association(s)
- Go to current donors for financial or in-kind support
- Consult with other safety net clinics
- Ask your Board, volunteers, current or past patients, and other community stakeholders for financial support

**10. Implement your plan and regularly monitor and refine your efforts, based on lessons learned and changes in the external environment.**

- Identify reliable sources of updated information about health care reform planning and implementation at the national and state levels and review them regularly
- Keep informed about local action including changes in your local health care system and actions taken by other safety net providers
- Monitor potential sources of financial assistance, such as federal and state agencies that may issue requests for proposals
- Review progress regularly with staff, Board, and key volunteers
- Revise your plan as needed to reflect experience and environmental changes