North Carolina Community Health Center Association

4917 Waters Edge Drive, Suite 165, Raleigh, NC 27606-2459 (919) 469-5701 Fax: (919) 469-1263 www.ncchca.org

October 30, 2020

Sent via Electronic Mail

The Honorable Josh Dobson, Chair
Joint Legislative Oversight Committee
on Health and Human Services
North Carolina General Assembly
300 N. Salisbury Street, Rm. 307B
Raleigh, NC 27603-5925

The Honorable Donny Lambeth, Chair
Joint Legislative Oversight Committee
on Health and Human Services
North Carolina General Assembly
300 N. Salisbury Street, Rm. 303
Raleigh, NC 27603-5925

The Honorable Joyce Krawiec, Chair
Joint Legislative Oversight Committee
on Health and Human Services
North Carolina General Assembly
300 N. Salisbury Street, Rm. 308
Raleigh, NC 27603

Mr. Mark Trogdon, Director
Fiscal Research Division
North Carolina General Assembly
Suite 609, Legislative Office Building
Raleigh, NC 27603-5925

Dear Chairmen and Director Trogdon,

North Carolina Session Law 2020-4 as amended by S.L. 2020-80, S.L. 2020-82, and S.L. 2020-97 requires the North Carolina Community Health Center Association (NCCHCA) to report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division of the North Carolina General Assembly by August 1, 2020 and again by November 1, 2020 on a plan for allocating funds received. Pursuant to the provisions of the law, NCCHCA is pleased to submit this report detailing said plan for the additional funds allocated to NCCHCA under Session Law 2020-97 (Coronavirus Relief Act 3.0). We have incorporated by reference our August 1, 2020 report as an attachment to this report.

We extend our gratitude to the North Carolina General Assembly for your leadership and support of health centers during this challenging time. Should you have any questions regarding this report, please contact Brendan Riley, Director of Policy, NCCHCA at rileyb@ncchca.org and 919-469-1116.

Best,

Chris Shank
President and Chief Executive Officer
NC Community Health Center Association

Brendan Riley
Director of Policy
NC Community Health Center Association

cc:
Sen. W. Ted Alexander
Sen. Deanna Ballard
Rep. William D. Brisson
Sen. Jim Burgin
Rep. Carla D. Cunningham
Sen. Jim Davis
Sen. Valerie P. Foushee
Sen. Ralph Hise
Rep. Steve Jarvis
Rep. Perrin Jones, MD
Rep. Derwin L. Montgomery
Sen. Natalie S. Murdock
Sen. Jim Perry
Rep. Larry W. Potts
Rep. Wayne Sasser
Sen. Vickie Sawyer
Rep. Donna McDowell White
Sen. Mike Woodard
Rep. Hugh Blackwell
Sen. Gladys A. Robinson

Overview of State Appropriations and Statute

North Carolina Session Law 2020-4, as amended by S.L. 2020-80,S.L. 2020-82, and S.L. 2020-97, appropriates $12,425,000 from the Coronavirus Relief Fund to the North Carolina Community Health Center Association (NCCHCA) for distribution to its member health centers to cover the cost of eligible health services provided during the COVID-19 emergency and other costs allowed pursuant to federal guidance.

The legislation requires NCCHCA to submit three reports to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division: the first on a plan for allocating the funds received by August 1, 2020, the second on an updated plan for allocating the funds received by November 1, 2020, and the third on the use of the funds by recipients by February 1, 2021. Having submitted the first report on July 31, 2020 (and a technical correction on August 28, 2020), NCCHCA submits the following to constitute the second report outlining our plan for allocating the funds to member health centers. This report incorporates by reference our prior report, which detailed the plan for allocating the initial $7,425,000 received by NCCHCA; this report shall focus on NCCHCA's plan for allocating the additional $5,000,000 provided under S.L. 2020-97. In recognition of the disproportionately low federal support received by FQHC look-alikes (as detailed in the following background section), the NC General Assembly in S.L. 2020-97 directed NCCHCA to allocate $600,000 of the additional $5,000,000 to its three look-alike members.

Background on NCCHCA, Community Health Centers, and Impact of COVID-19

The following section as written remains substantively unchanged from the section included in our July 28, 2020 report. The facts and context remain the same in October 2020 as they did then.

About NCCHCA

Formed in 1978 by the leadership of community health centers, the North Carolina Community Health Center Association (NCCHCA) today comprises membership of 42 health center organizations, including 39 federally qualified health center (FQHC) grantees and 3 FQHC look-alike organizations, all of which are commonly referred to as community health centers (CHCs). All FQHC and FQHC look-alikes in North Carolina are members of NCCHCA. With funding from the Health Resources and Services Administration (HRSA), NCCHCA is North Carolina's state Primary Care Association (PCA) and Health Center Controlled Network (HCCN), representing FQHCs to state and federal officials and providing training and technical assistance on clinical, operational, financial, administrative, and governance issues.

About Community Health Centers

North Carolina's community health centers provide whole-person primary medical care, as well as integrated services, such as dental, behavioral health, pharmacy, and enabling services, to North Carolinians without regard to their ability to pay. By mission and statute, community health centers provide care in medically underserved communities and to medically underserved populations. More than nine out of every ten patients at NC community health centers earn low incomes (below twice the federal poverty level) but health centers' sliding fee discount programs help patients afford to share in

the cost of their care. More information about health centers and their federal requirements is available here: https://bphc.hrsa.gov/about/what-is-a-health-center/index.html.

As such, community health centers are a fundamental cornerstone of the health care safety net in our state. According to preliminary data, our 42 community health center organizations served 631,419 patients in 2019. Of those patients, 43 percent of CHC patients were uninsured, while 36 percent were covered by Medicaid or Medicare and 20 percent were covered through private insurance.

COVID-19's Impact on Community Health Centers

While 39 of our members receive federal Health Center Program grants (under section 330 of the Public Health Service Act), those dollars account for just one-quarter of total income across NC health centers. In fact, health centers depend heavily on patient revenues, which made up the majority of their total income in 2018, to sustain their operations. Like other health care providers, community health centers have experienced reductions in patient volumes throughout the pandemic. Our members have rapidly innovated and transformed their practices to provide more virtual care and to increase safety for necessary in-person services. However, even today, health centers are experiencing financial strain from reductions in patient volumes and revenues. As a group of non-profit and public entities with patient-majority governing boards, North Carolina's health centers are lean operations with little cushion for the magnitude of these losses.

The economic impacts of the pandemic create secondary impacts that strain community health centers and other safety net health care providers. As North Carolinians experience employment disruptions because of the pandemic, hundreds of thousands have lost their job-based health insurance coverage, putting at risk their regular source of health care services. But in times of crisis like these, community health centers are prepared to be medical homes for our fellow North Carolinians regardless of their insurance status or ability to pay.

North Carolina's community health centers have also served as a focal point for conducting COVID-19 testing and collaborating with public health authorities to provide community education, outreach, and contact tracing to reduce the spread and effects of the virus. Health centers have been critical in reaching vulnerable and marginalized populations who are disproportionately affected by the virus and at higher risk of severe illness. Health centers in many communities will continue leading and collaborating on community testing efforts.

Federal Relief Response

Since the onset of the pandemic, the federal government has enacted various policy interventions to provide financial support for response and relief to health care providers. The following will provide a summary of the interventions as they have affected community health centers, which in part influenced how NCCHCA decided on its allocation plan.

Thus far, the Health Resources and Services Administration (HRSA) has awarded three COVID-specific grants to community health centers per congressional authorization:

1. $2.85 million on March 24 to 39 North Carolina FQHCs for COVID-19 prevention, preparedness, and response as authorized by the *Coronavirus Preparedness and Response Supplemental*

Appropriations Act, which provided $100 million nationwide to health centers for this purpose and became law on March 6.

2. $35.3 million on April 8 to 39 North Carolina FQHCs for COVID-19 response and capacity as authorized by the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, which provided $1.32 billion nationwide to health centers for this purpose and became law on March 27.
3. $13 million on May 7 to 39 North Carolina FQHCs through Expanding Capacity for Coronavirus Testing (ECT) awards for prevention, preparation, and response to COVID-19 – with an emphasis on testing capacity —as authorized by the *Paycheck Protection Program and Health Care Enhancement Act*, which provided $600 million nationwide to health centers for this purpose and became law on April 24.
    a. $657,606 in ECT awards July 9 to North Carolina's three FQHC Look-Alike organizations, who due to their Look-Alike (LAL) status were ineligible for the prior two rounds of awards. When drafting the authorization legislation for ECT funds, Congress ensured that LALs would be eligible. However, because they are not existing grantees of HRSA, LALs across the country had to apply for the funds, which is why these organizations received the ECT awards in July whereas FQHCs received them in May.

The *CARES Act* also created the Public Health and Social Services Emergency Fund (which has come to be known as the Provider Relief Fund) to provide financial relief to providers hit hardest by the pandemic. While the entirety of the now $175 billion Fund has not yet been allocated and expended, there have been two key distributions that have affected some North Carolina community health centers.

The first was the General Distribution made available to providers who bill Medicare, which includes community health centers. Amounts received by providers totaled 2 percent of the provider's 2018 net patient revenue. While this relief has been helpful, the formula disadvantages safety net providers like community health centers, which nationwide care for 30 million people but account for only 0.6 percent patient revenue nationally due to CHCs' cost-effective model and high rates of uninsured and underinsured patients.[1] Receipt of funding through this distribution has rendered community health centers ineligible for other General Distribution payments, such as the Medicaid and CHIP Distribution announced in June.

In addition to these General Distributions, the Provider Relief Fund has provided funding through various Targeted Allocations. Of these targeted allocations, only one—the Rural Distribution—has provided funding for *some* of North Carolina's community health centers. The distribution relied on a complicated and restrictive definition[2] of rural geography. Because the formula for determining these payments did not rely on patient revenue figures, the amounts provided under this distribution have been more significant and of greater assistance in general. However, by our analysis of the available

[1] National Community Health Center Association. "Federal Funds May Not Reach Medically Underserved Affected by COVID-19." April 23, 2020. http://www.nachc.org/federal-funds-may-not-reach-medically-underserved-affected-by-covid-19/

[2] See criteria under subheader, "Who is eligible for the rural distribution?" under "$10 Billion Rural Distribution," *CARES Act Provider Relief Fund: General Information*. https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/general-information/index.html#collapseEight

data, roughly one-third of our members have not received funding through this distribution, including two of the FQHC Look-Alikes who were not eligible for the first two rounds of HRSA COVID-19 response awards.

Additionally, like most other providers and businesses, community health centers with fewer than 500 employees are eligible to apply for Paycheck Protection Program loans, which have provided valuable support early on to mitigate some of the financial harms of the pandemic, allowing health centers to keep their doors open and retain essential personnel.

Plan for Allocating State Funds Appropriated to NCCHCA's Member Health Centers Under S.L. 2020-4 as Amended by S.L. 2020-97

North Carolina Session Law 2020-97 amends by S.L. 2020-4 to appropriate an additional $5,000,000 from the Coronavirus Relief Fund to the North Carolina Community Health Center Association (NCCHCA) for distribution to its member health centers to cover the costs of necessary expenditures incurred due to the COVID-19 emergency and other costs allowed pursuant to federal guidance. Session Law 2020-97 was the latest in a series of legislative relief packages that appropriated funding for these purposes to NCCHCA; overall, S.L. 2020-4 as amended by S.L. 2020-80, S.L. 2020-82, and S.L. 2020-97 appropriates a total of $12,425,000 to NCCHCA for this purpose.

The following details NCCHCA's approach for determining how to distribute and allocate the additional $5,000,000 in funds received through S.L. 2020-97 across its member health centers as called for by the legislation.

Process for Determining Allocation Plan

Session Law 2020-97 requires NCCHCA to distribute $600,000 of the funds to its members that are federally qualified health center look-alikes. In order to determine the most effective allocation methodology for the remainder of the funding, the North Carolina Community Health Center Association (NCCHCA) once again engaged its Executive Committee, which is composed of leaders from member health centers elected by their peers, and discussed various considerations and options for dividing up the funding over several different meetings before holding final votes on a decision.

NCCHCA's Allocation Plan, Process, and Rationale

Through its Executive Committee, NCCHCA decided on a funding distribution methodology that builds on the previously approved and utilized methodology for distributing the initial $7,425,000, which 37 of NCCHCA's 42 organizational members opted into receiving. Under this allocation plan, NCCHCA would first offer its three FQHC look-alike members a distribution of $200,000 each, as required by S.L. 2020-97; then NCCHCA would offer the remainder of the funds ($4,400,000) to NCCHCA members who had opted into the initial $7,425,000 distribution. As agreed upon by the Executive Committee, the methodology for the allocation of the remaining $4,400,0000 would be as follows:

- A base award amount of $100,000 each, plus
- A $1.71 per-patient additional adjustment based on the total number of unduplicated patients served in 2019 according to each health center's annual Uniform Data Submission report

This methodology—the same that was selected for the entirety of the initial $7,425,000 allocation—was selected because it ensured a fair minimum level of support for health centers regardless of size, as all health centers are experiencing increased financial strain and increased capacity needs due to the pandemic's health and economic effects. Moreover, by adding a per-patient adjustment, this distribution methodology provides increased funding to health centers that serve a greater number of patients and therefore can maximize the funds and extend their reach within the federally mandated expenditure period (March 1-December 30, 2020). Similar methodologies have been employed by the federal Health Resources and Services Administration (HRSA) in the aforementioned COVID-19 response awards distributed to health centers.

As with our initial distribution, NCCHCA sought affirmative decisions from members to opt-in to the funds after providing education and training around the administrative requirements, limitations, and expenditure period for the funds. Of the 37 NCCHCA members eligible to opt in to the latest $5,000,000 distribution, 34 decided to opt in.[3] Among the three health centers deciding to opt out of this round of funding is Black River Health Services, one of the three federally qualified health center look-alikes named in S.L. 2020-97 and specified to receive $200,000 given its look-alike status. Whereas all look-alikes received minimal support from the aforementioned congressional relief packages directed toward health centers, Black River Health Services was the sole look-alike among our members who qualified for the Rural Distribution of the Provider Relief Fund described on pages 4 and 5 of this report. That support provided Black River with funding that met their needs. Accordingly, in recognition of their peers' greater financial need and ability to expend funds under the restrictions by the December 30, 2020 deadline, Black River Health Services declined the $200,000 set aside by S.L. 2020-97.

Therefore, NCCHCA decided on a twofold approach for distributing the funds remaining due to the three health centers that opted out:

1. First, to honor the spirit of the legislative intent in S.L. 2020-97, NCCHCA decided to equally distribute the $200,000 declined by Black River Health Services among the other two federally qualified health center look-alikes (Hot Springs Health Program and NeighborHealth Center), which received minimal federal support compared to the rest of our membership and therefore had a higher relative need for the funds.[4] As a result, this ensures that the $600,000 set aside for supporting look-alike organizations by S.L. 2020-97 indeed remained with look-alikes, while

[3] The three NCCHCA members who opted out of this distribution after opting in to the initial distribution are Black River Health Services, Craven County Health Department (dba Craven County Community Health Center), and West Caldwell Health Council.
[4] As mentioned in the background section of this report, while Congress appropriated Coronavirus response funds for health centers in both the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (enacted March 6, 2020) and the *Coronavirus Aid, Relief, and Economic Security Act* (or *CARES Act*, enacted March 27, 2020), FQHC Look-Alikes nationwide were not eligible for any of the $1.42 billion set aside for health centers in those relief packages. While Look-Alikes were eligible to apply for the aforementioned Expanding Capacity for Coronavirus Testing (ECT) awards authorized by the *Paycheck Protection Program and Health Care Enhancement Act* (enacted April 24, 2020), those funding awards were relatively smaller than the prior federal relief packages and more restrictive. Additionally, compared to Black River Health Services, the two Look-Alikes in question (Hot Springs Health Program and NeighborHealth Center) also received minimal support from the federal Provider Relief Fund established by the *CARES Act* because neither qualified for the "Rural Distribution," for which Black River Health Services did qualify.

ensuring the funds will be expended for the purposes required under state and federal guidance by the December 30, 2020 deadline.

2. The remaining funds, which were available due to opt-outs by Craven County Health Department (dba Craven County Community Health Center) and West Caldwell Health Council, would then be added to the pool of funding for the per-patient-adjustment available to the remaining funded FQHCs, excluding the FQHC look-alikes. This increased the final per-patient adjustment to $2.09 (up from $1.71)

After accounting for adjustments following opt-out decisions, NCCHCA's final allocation plan for the remaining $5,000,000 appropriated by S.L. 2020-97's amendment to S.L. 2020-4 follows:

1. $600,000 for two (2) FQHC Look-Alikes:
    a. Hot Springs Health Program and NeighborHealth Center each receive equal award amounts of $300,000.
2. $4,400,000 for 32 FQHCs:
    a. Each non-Look-Alike FQHC receives a $100,000 base award increased by a $2.09 per patient adjustment based on data from the 2019 Uniform Data System patient numbers.

In conclusion, NCCHCA has developed a flexible, responsive, and thoughtful allocation plan that maximizes the ability of our members as subrecipients to expend the dollars on eligible expenses during the grant period while reflecting the spirit and intent of the NC General Assembly when it crafted these relief packages. At the same time, this methodology ensures that funds are fairly distributed to all members and targeted toward health centers in greater need of support to serve their communities throughout this pandemic.

A full detailed list of amounts distributed by subrecipient member is available at the end of this report in the Appendix. Compared to the Appendix in our prior allocation plan report, the Appendix in this report has been enhanced to include the following information that may be of interest to members of the Joint Legislative Oversight Committee on Health and Human Services and to the Fiscal Research Division:

- NCCHCA members' names as registered with the federal Health Resources and Services Administration
- NCCHCA members' functional and/or dba names
- NCCHCA members by FQHC status (HRSA-funded Health Center Program Grantee or FQHC Look-Alike)
- NCCHCA total member receipts under S.L. 2020-4 and amending legislation, as well as receipts and opt-outs under each NCCHCA distribution

How State Funds Are Serving North Carolinians During this Time of Crisis

Thanks to these funds, NCCHCA members are able to cover costs incurred due to the COVID-19 public health emergency, allowing them to absorb this unexpected financial strain while going above and beyond to serve their communities. Examples of costs that member health centers have budgeted for include health center services for uninsured patients (when those costs are incurred strictly due to the COVID-19 emergency); COVID-19 testing and treatment; ramping up supplies, materials, and staffing for

community COVID-19 testing efforts; infection control and retrofitting facilities to maximize patient safety and minimize the likelihood of viral transmission within their clinical settings; and purchase of personal protective equipment; equipment, devices, and other supplies for furnishing health center services via telehealth modalities, among other eligible expenses incurred due to the COVID-19 emergency.

Without this investment by the North Carolina General Assembly, North Carolinians and the community health centers they depend on would be worse off throughout this pandemic. On behalf of our members, the North Carolina Community Health Center Association expresses its gratitude to the North Carolina General Assembly for your leadership and your support of community health centers during this challenging time.

Appendix: Allocated Amounts by NCCHCA Member Receiving Funding

NCCHCA Member Organization Name under Federal HRSA Registration	Functional Name or dba Name, if Different	FQHC Status: FQHC (HRSA Health Center Program Grantee) or Look-Alike	Allocated Funding Amount Under Distribution 1 ($7,425,000)	Allocated Funding Amount Under Distribution 2	Total Funding Received Under Both Distributions
ANSON REGIONAL MEDICAL SERVICES	N/A	FQHC	OPT-OUT	N/A	-
APPALACHIAN DISTRICT HEALTH DEPARTMENT	APPHEALTHCARE	FQHC	$155,272.36	$109,641.29	$264,913.65
APPALACHIAN MOUNTAIN COMMUNITY HEALTH CENTERS	N/A	FQHC	$174,173.37	$124,073.98	$298,247.35
BAKERSVILLE COMMUNITY MEDICAL CLINIC, INC.	MOUNTAIN COMMUNITY HEALTH PARTNERSHIP	FQHC	$154,693.47	$ 116,109.89	$270,803.36
BERTIE COUNTY RURAL HEALTH ASSOCIATION	N/A	FQHC	$131,530.11	$106,639.87	$238,169.98
BLACK RIVER HEALTH SERVICES INC.	N/A	Look-Alike	$55,763.00	OPT-OUT	$55,763.00
BLUE RIDGE COMMUNITY HEALTH SERVICES, INC.	BLUE RIDGE HEALTH	FQHC	$322,870.51	$184,657.87	$507,528.38
C.W. WILLIAMS COMMUNITY HEALTH CENTER INC., THE	N/A	FQHC	$179,839.05	$126,390.31	$306,229.36
CABARRUS ROWAN COMMUNITY HEALTH CENTERS, INC.	N/A	FQHC	$166,418.19	$120,903.38	$287,321.58

CAROLINA FAMILY HEALTH CENTERS INC	N/A	FQHC	$211,370.65	$139,281.57	$350,652.22
CASWELL FAMILY MEDICAL CENTER, THE	N/A	FQHC	$138,401.46	$109,449.13	$247,850.59
CHARLOTTE COMMUNITY HEALTH CLINIC, INC	N/A	FQHC	$145,829.68	$112,486.05	$258,315.73
CRAVEN COUNTY GOVERNMENT	CRAVEN COUNTY COMMUNITY HEALTH CENTER	FQHC	$141,957.19	OPT-OUT	$141,957.19
FIRST CHOICE COMMUNITY HEALTH CENTERS	N/A	FQHC	OPT-OUT	N/A	-
GASTON FAMILY HEALTH SERVICES	KINTEGRA HEALTH	FQHC	$478,362.36	$248,437.42	$726,799.78
GATEWAY COMMUNITY HEALTH CENTERS, INC.	N/A	FQHC	$125,532.36	$104,187.78	$229,720.14
GOSHEN MEDICAL CENTER, INC.	N/A	FQHC	$384,717.81	$210,152.14	$594,869.95
GREENE COUNTY HEALTH CARE INCORPORATED	N/A	FQHC	$309,112.47	$179,241.95	$488,354.43
HIGH COUNTRY COMMUNITY HEALTH	N/A	FQHC	$165,105.23	$120,366.60	$285,471.83
HOT SPRINGS HEALTH PROGRAM INC.	N/A	Look-Alike	$215,343.54	$300,000.00	$515,343.54
KINSTON COMMUNITY HEALTH CENTER, INC.	N/A	FQHC	$157,784.30	$117,373.54	$275,157.83
LINCOLN COMMUNITY HEALTH CENTER, INC	N/A	FQHC	$301,050.76	$175,946.04	$476,996.80

MEDICAL RESOURCE CENTER FOR RANDOLPH COUNTY, INC	MERCE FAMILY HEALTHCARE	FQHC	$134,421.69	$107,822.06	$242,243.75
METROPOLITAN COMMUNITY HEALTH SERVICES, INC.	AGAPE HEALTH SERVICES	FQHC	$141,890.78	$110,875.69	$252,766.47
NC DEPARTMENT OF HEALTH AND HUMAN SERVICES	NC FARMWORKER HEALTH PROGRAM	FQHC	OPT-OUT	N/A	-
NEIGHBORHEALTH CENTER, INC.	N/A	Look-Alike	$172,184.27	$300,000.00	$472,184.27
NEW HANOVER COMMUNITY HEALTH CENTER INC	MEDNORTH HEALTH CENTER	FQHC	$154,003.78	$175,946.04	$476,996.80
OCRACOKE HEALTH CENTER INC	OCRACOKE HEALTH CENTER / ENGELHARD MEDICAL CENTER	FQHC	OPT-OUT	N/A	-
OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.	OIC OF ROCKY MOUNT / OIC FAMILY MEDICAL CENTER	FQHC	$162,939.09	$119,481.00	$282,420.09
PERSON FAMILY MEDICAL CENTER	N/A	FQHC	$144,547.36	$111,961.80	$256,509.16
PIEDMONT HEALTH SERVICES, INC.	N/A	FQHC	$408,780.06	$202,555.66	$611,335.71
ROANOKE CHOWAN COMMUNITY HEALTH CENTER, INC.	N/A	FQHC	$197,561.52	$133,635.90	$331,197.42

ROBESON HEALTH CARE CORPORATION	N/A	FQHC	$177,167.14	$125,297.94	$302,465.08
RURAL HEALTH GROUP, INC.	N/A	FQHC	$343,120.29	$178,393.95	$521,514.25
STEDMAN-WADE HEALTH SERVICES, INC., THE	N/A	FQHC	$149,753.24	$114,090.15	$263,843.39
TRI COUNTY COMMUNITY HEALTH COUNCIL, INC	COMMWELL HEALTH	FQHC	$257,002.57	$157,937.55	$414,940.12
TRIAD ADULT AND PEDIATRIC MEDICINE, INC.	N/A	FQHC	$179,615.75	$132,549.79	$312,165.54
UNITED HEALTH CENTERS	N/A	FQHC	$151,510.68	$114,808.65	$266,319.33
WAKE HEALTH SERVICES, INC.	ADVANCE COMMUNITY HEALTH	FQHC	$209,112.55	$138,358.38	$347,470.93
WEST CALDWELL HEALTH COUNCIL INC	N/A	FQHC	$136,301.74	OPT-OUT	$136,301.74
WESTERN NC COMMUNITY HEALTH SERVICES INC	N/A	FQHC	$189,959.61	$131,064.75	$321,024.36
WILKES COUNTY OF	WILKES HEALTH / WILKES COMMUNITY HEALTH CENTER	FQHC	OPT-OUT	N/A	-
		TOTALS	**$7,425,000.00**	**$5,000,000.00**	**$12,425,000.00**

Attachment: NCCHCA Report Submitted July 31, 2020 on Allocation Plan for Initial $7,425,000

North Carolina Community Health Center Association

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Mr. Mark Trogdon, Director
Fiscal Research Division
North Carolina General Assembly
Suite 609, Legislative Office Building
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Dear Chairmen and Director Trogdon,

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Should you have any questions regarding this report, please contact Brendan Riley, Director of Policy, NCCHCA at rileyb@ncchca.org and 919-469-1116.

Best,

Chris Shank
President and Chief Executive Officer
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cc:

Sen. W. Ted Alexander	Sen. Jim Davis	Rep. Derwin L. Montgomery	Sen. Vickie Sawyer
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Overview of State Appropriations and Statute

North Carolina Session Law 2020-4, as amended by S.L. 2020-80 and S.L. 2020-82, appropriates $7,425,000 from the Coronavirus Relief Fund to the North Carolina Community Health Center Association (NCCHCA) for distribution to its member health centers to cover the cost of eligible health services provided during the COVID-19 emergency, to offset the costs incurred on supplies and equipment purchased in accordance with Centers for Disease Control and Prevention Guidelines; rapidly ramping up infection control and triage training for health care professionals; retrofitting separate areas to screen and treat patients with suspected COVID-19 infections; transporting patients with confirmed or suspected COVID-19 infections safely to or from health care facilities; planning, training, and implementing expanded telehealth capabilities; and other costs allowed pursuant to federal guidance.

The legislation requires NCCHCA to submit two reports to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division: the first on a plan for allocating the funds received by August 1, 2020, and the second on the use of the funds by recipients by February 1, 2021. The following shall constitute the first report outlining NCCHCA's plan for allocating the funds to member health centers.

Background on NCCHCA, Community Health Centers, and Impact of COVID-19

About NCCHCA

Formed in 1978 by the leadership of community health centers, the North Carolina Community Health Center Association (NCCHCA) today comprises membership of 42 health center organizations, including 39 federally qualified health center (FQHC) grantees and 3 FQHC look-alike organizations, all of which are commonly referred to as community health centers (CHCs). With funding from the Health Resources and Services Administration (HRSA), NCCHCA is North Carolina's state Primary Care Association (PCA) and Health Center Controlled Network (HCCN), representing FQHCs to state and federal officials and providing training and technical assistance on clinical, operational, financial, administrative, and governance issues.

About Community Health Centers

North Carolina's community health centers provide whole-person primary medical care, as well as integrated services, such as dental, behavioral health, pharmacy, and enabling services, to North Carolinians without regard to their ability to pay. By mission and statute, community health centers provide care in medically underserved communities and to medically underserved populations. Over 9 out of every 10 patients at NC health centers earn low incomes (below twice the federal poverty level) but health centers' sliding fee discount programs help patients afford to share in the cost of their care. More information about health centers and their federal requirements is available here: https://bphc.hrsa.gov/about/what-is-a-health-center/index.html.

As such, community health centers are a fundamental cornerstone of the health care safety net in our state. According to preliminary data, our 42 community health center organizations served 631,419 patients in 2019. Of those patients, 43 percent of CHC patients were uninsured, while 36 percent were covered by Medicaid or Medicare and 20 percent were covered through private insurance.

COVID-19's Impact on Community Health Centers

While 39 of our members receive federal Health Center Program grants (under section 330 of the Public Health Service Act), those dollars account for just one-quarter of total income across NC health centers. In fact, health centers depend heavily on patient revenues, which made up the majority of their total income in 2018, to sustain their operations. Like other health care providers, community health centers have experienced reductions in patient volumes throughout the pandemic. Our members have rapidly innovated and transformed their practices to provide more virtual care and to increase safety for necessary in-person services. However, even today, health centers are experiencing financial strain from reductions in patient volumes and revenues. As a group of non-profit and public entities with patient-majority governing boards, North Carolina's health centers are lean operations with little cushion for the magnitude of these losses.

The economic impacts of the pandemic create secondary impacts that strain community health centers and other safety net health care providers. As North Carolinians experience employment disruptions because of the pandemic, hundreds of thousands have lost their job-based health insurance coverage, putting at risk their regular source of health care services. But in times of crisis like these, community health centers are prepared to be medical homes for our fellow North Carolinians regardless of their insurance status or ability to pay.

North Carolina's community health centers have also served as a focal point for conducting COVID-19 testing and collaborating with public health authorities to provide community education, outreach, and contact tracing to reduce the spread and effects of the virus. Health centers have been critical in reaching vulnerable and marginalized populations who are disproportionately affected by the virus and at higher risk of severe illness. Health centers in many communities will continue leading and collaborating on community testing efforts.

Federal Relief Response

Since the onset of the pandemic, the federal government has enacted various policy interventions to provide financial support for response and relief to health care providers. The following will provide a summary of the interventions as they have affected community health centers, which in part influenced how NCCHCA decided on its allocation plan.

Thus far, the Health Resources and Services Administration (HRSA) has awarded three COVID-specific grants to community health centers per congressional authorization:

4. $2.85 million on March 24 to 39 North Carolina FQHCs for COVID-19 prevention, preparedness, and response as authorized by the *Coronavirus Preparedness and Response Supplemental Appropriations Act*, which provided $100 million nationwide to health centers for this purpose and became law on March 6.
5. $35.3 million on April 8 to 39 North Carolina FQHCs for COVID-19 response and capacity as authorized by the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, which provided $1.32 billion nationwide to health centers for this purpose and became law on March 27.
6. $13 million in Expanding Capacity for Coronavirus Testing (ECT) awards for prevention, preparation, and response to COVID-19 – with an emphasis on testing capacity — on May 7 to

39 North Carolina FQHCs as authorized by the *Paycheck Protection Program and Health Care Enhancement Act*, which provided $600 million nationwide to health centers for this purpose and became law on April 24.

a. $657,606 in ECT awards July 9 to North Carolina's three FQHC Look-Alike organizations, who due to their Look-Alike (LAL) status were ineligible for the prior two rounds of awards. When drafting the authorization legislation for ECT funds, Congress ensured that LALs would be eligible. However, because they are not existing grantees of HRSA, LALs across the country had to apply for the funds, which is why these organizations received the ECT awards in July whereas FQHCs received them in May.

The *CARES Act* also created the Public Health and Social Services Emergency Fund (which has come to be known as the Provider Relief Fund) to provide financial relief to providers hit hardest by the pandemic. While the entirety of the now $175 billion Fund has not yet been allocated and expended, there have been two key distributions that have affected some North Carolina community health centers.

The first was the General Distribution made available to providers who bill Medicare, which includes community health centers. Amounts received by providers totaled 2 percent of the provider's 2018 net patient revenue. While this relief has been helpful, the formula disadvantages safety net providers like community health centers, which nationwide care for 30 million people but account for only 0.6 percent patient revenue nationally due to CHCs' cost-effective model and high rates of uninsured and underinsured patients.[5] Receipt of funding through this distribution has rendered community health centers ineligible for other General Distribution payments, such as the Medicaid and CHIP Distribution announced in June.

In addition to these General Distributions, the Provider Relief Fund has provided funding through various Targeted Allocations. Of these targeted allocations, only one—the Rural Distribution—has provided funding for *some* of North Carolina's community health centers. The distribution relied on a complicated and restrictive definition[6] of rural geography. Because the formula for determining these payments did not rely on patient revenue figures, the amounts provided under this distribution have been more significant and of greater assistance in general. However, by our analysis of the available data, roughly one-third of our members has not received funding through this distribution, including two of the FQHC Look-Alikes who were not eligible for the first two rounds of HRSA COVID-19 response awards.

Additionally, like most other providers and businesses, community health centers with fewer than 500 employees are eligible to apply for Paycheck Protection Program loans, which have provided valuable

[5] National Community Health Center Association. "Federal Funds May Not Reach Medically Underserved Affected by COVID-19." April 23, 2020. http://www.nachc.org/federal-funds-may-not-reach-medically-underserved-affected-by-covid-19/

[6] See criteria under subheader, "Who is eligible for the rural distribution?" under "$10 Billion Rural Distribution," *CARES Act Provider Relief Fund: General Information*. https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/general-information/index.html#collapseEight

support early on to mitigate some of the financial harms of the pandemic, allowing health centers to keep their doors open and retain essential personnel.

Plan for Allocating State Funds Appropriated to NCCHCA's Member Health Centers Under S.L. 2020-4 and S.L. 2020-80

North Carolina Session Law 2020-4, as amended by S.L. 2020-80 and S.L. 2020-82, appropriates $7,425,000 from the Coronavirus Relief Fund to the North Carolina Community Health Center Association (NCCHCA) for distribution to its member health centers to cover the costs of necessary expenditures incurred due to the COVID-19 emergency, including the costs of eligible health services provided during the COVID-19 emergency as well as costs associated with purchasing supplies and equipment in accordance with Centers for Disease Control and Prevention Guidelines; rapidly ramping up infection control and triage training for health care professionals; retrofitting separate areas to screen and treat patients with suspected COVID-19 infections; transporting patients with confirmed or suspected COVID-19 infections safely to or from health care facilities; planning, training, and implementing expanded telehealth capabilities; and other costs allowed pursuant to federal guidance.

The following details NCCHCA's approach for determining how to distribute and allocate the funds received across its member health centers as called for by the legislation.

Process for Determining Allocation Plan

In order to determine the most effective allocation methodology, the North Carolina Community Health Center Association (NCCHCA) engaged its Executive Committee, which is composed of leaders from member health centers elected by their peers, and discussed various considerations and options for dividing up the funding over several different meetings before holding final votes on a decision.

NCCHCA's Allocation Plan & Rationale

Through its Executive Committee, NCCHCA decided on an initial funding distribution methodology that would allow all NCCHCA members to be subrecipients of this funding. Under this allocation plan, if all 42 NCCCHCA members were to opt in, each health center would receive:

- A base award amount of $100,000 each, plus
- A $5.11 per-patient adjustment to increase their total award based on the total number of unduplicated patients served in 2019 according to their annual Uniform Data Submission report

This methodology was selected because it ensured a fair minimum level of support for health centers regardless of size, as all health centers are experiencing increased financial strain due to the pandemic's health and economic effects. Moreover, by adding a per-patient adjustment, this distribution methodology provides increased funding to health centers that serve a greater number of patients and therefore can maximize the funds and extend their reach within the federally mandated expenditure period (March 1-December 30, 2020). Similar methodologies have been employed by the federal Health Resources and Services Administration (HRSA) in the aforementioned COVID-19 response awards distributed to health centers.

In partnership with the North Carolina Pandemic Recovery Office and the North Carolina Office of State Budget and Management, NCCHCA conducted rigorous analysis of the federal guidance for allowable uses of funds. NCCHCA used this analysis to present its membership with guidelines for allowable expenditures as well as information about reporting requirements and other administrative responsibilities of managing these funds. In total, 37 NCCHCA members who served more than 604,000 patients in 2019 gratefully accepted the funds.

Only a handful of health centers opted not to participate given their unique circumstances. For instance, one of these members functions as a migrant health voucher program (https://www.ncfhp.org/about-us/), meaning they utilize federal health center program grant funds to contract with local agencies and private providers for the provision of various health center services to a special population of migrant and seasonal farmworkers in North Carolina. Given this model, they would have had to subgrant their funds had they opted in, thus creating multiple layers of reporting and documentation requirements for all parties involved. To reduce administrative burden while still promoting the ends and reach of the funding as well as the migrant health program's identified needs, NCCHCA agreed to skip the middle man, instead distributing the migrant health voucher program's allotted funding amount ($150,888.89) among the NCCHCA members with which they would have subcontracted. As a result, four NCCHCA members agreed to accept additional funds to cover eligible costs incurred due to the COVID-19 public health emergency that are associated with their migrant farmworker health programs —Piedmont Health Services ($42,643.00), Rural Health Group ($36,082.00), AppHealthCare ($16,400.89), and Black River Health Services ($55,763.00).

Through its Executive Committee, NCCHCA decided on a twofold approach for distributing the funds remaining due to the several health centers that opted out of receiving state appropriation funding (which account for roughly 8 percent of the total appropriation):

3. First, $100,000 total would be distributed equally between two members that, given their status as FQHC look-alike organizations, received minimal federal support compared to the rest of our membership and therefore had a higher relative need for the funds.[7]
4. The remaining funds would then be split equally among the remaining funded health centers at $15,289.19 each on top of their award under our initial methodology.
5. If any of the remaining health centers declined their additional $15,289.19, NCCHCA would distribute the remainder equally among the two aforementioned FQHC Look-Alikes deemed in greater need of short-term support.

In conclusion, NCCHCA has developed a flexible, responsive, and thoughtful allocation plan that maximizes the ability of our members as subrecipients to expend the dollars on eligible expenses during the grant period. At the same time, this methodology ensures that funds are fairly distributed to all

[7] As mentioned earlier, while Congress appropriated Coronavirus response funds for health centers in both the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (enacted March 6, 2020) and the *Coronavirus Aid, Relief, and Economic Security Act* (or *CARES Act*, enacted March 27, 2020), FQHC Look-Alikes nationwide were not eligible for any of the $1.42 billion set aside for health centers. Additionally, the two Look-Alikes in question received minimal support from the Provider Relief Fund established by the *CARES Act* (neither qualified for the "Rural Distribution," which our third Look-Alike member qualified for).

members and targeted toward health centers in greater need of support to serve their communities throughout this pandemic.

A full detailed list of amounts distributed by subrecipient member is available at the end of this report in the Appendix.

How State Funds Are Serving North Carolinians During this Time of Crisis

Thanks to these funds, NCCHCA members are able to cover costs incurred due to the COVID-19 public health emergency, allowing them to absorb this unexpected financial strain while going above and beyond to serve their communities. Examples of costs that member health centers have budgeted for include health center services for uninsured patients (when those costs are incurred strictly due to the COVID-19 emergency); COVID-19 testing and treatment; ramping up supplies, materials, and staffing for community COVID-19 testing efforts; infection control and retrofitting facilities to maximize patient safety and minimize the likelihood of viral transmission within their clinical settings; and personal protective equipment; equipment, devices, and other supplies for furnishing health center services via telehealth modalities, among other eligible expenses incurred due to the COVID-19 emergency.

Without this investment by the North Carolina General Assembly, North Carolinians and the community health centers they depend on would be worse off throughout this pandemic. On behalf of our members, the North Carolina Community Health Center Association expresses its gratitude to the North Carolina General Assembly for your leadership and support of community health centers during this challenging time.

Appendix: Allocated Amounts by NCCHCA Member Receiving Funding

NCCHCA Member Organization Name (dba Name, if Applicable)	Allocated Funding Amount	FQHC Status
APPALACHIAN DISTRICT HEALTH DEPARTMENT dba APPHEALTHCARE	$155,272.36	FQHC
APPALACHIAN MOUNTAIN COMMUNITY HEALTH CENTERS	$174,173.37	FQHC
BAKERSVILLE COMMUNITY MEDICAL CLINIC, INC. dba MOUNTAIN COMMUNITY HEALTH PARTNERSHIP	$154,693.47	FQHC
BERTIE COUNTY RURAL HEALTH ASSOCIATION	$131,530.11	FQHC
BLACK RIVER HEALTH SERVICES INC.	$55,763.00	FQHC Look-Alike
BLUE RIDGE COMMUNITY HEALTH SERVICES, INC. dba BLUE RIDGE HEALTH	$322,870.51	FQHC
C.W. WILLIAMS COMMUNITY HEALTH CENTER INC., THE	$179,839.05	FQHC
CABARRUS ROWAN COMMUNITY HEALTH CENTERS, INC.	$166,418.19	FQHC
CAROLINA FAMILY HEALTH CENTERS INC	$211,370.65	FQHC
CASWELL FAMILY MEDICAL CENTER, THE	$138,401.46	FQHC
CHARLOTTE COMMUNITY HEALTH CLINIC, INC	$145,829.68	FQHC
CRAVEN COUNTY GOVERNMENT (CRAVEN COUNTY COMMUNITY HEALTH CENTER)	$141,957.19	FQHC
GASTON FAMILY HEALTH SERVICES dba KINTEGRA HEALTH	$478,362.36	FQHC
GATEWAY COMMUNITY HEALTH CENTERS, INC.	$125,532.36	FQHC
GOSHEN MEDICAL CENTER, INC.	$384,717.81	FQHC
GREENE COUNTY HEALTH CARE INCORPORATED	$309,112.47	FQHC
HIGH COUNTRY COMMUNITY HEALTH	$165,105.23	FQHC
HOT SPRINGS HEALTH PROGRAM INC.	$215,343.54	FQHC Look-Alike
KINSTON COMMUNITY HEALTH CENTER, INC.	$157,784.30	FQHC

LINCOLN COMMUNITY HEALTH CENTER, INC	$301,050.76	FQHC
MEDICAL RESOURCE CENTER FOR RANDOLPH COUNTY, INC. dba MERCE FAMILY HEALTHCARE	$134,421.69	FQHC
METROPOLITAN COMMUNITY HEALTH SERVICES, INC. dba AGAPE HEALTH SERVICES	$141,890.78	FQHC
NEIGHBORHEALTH CENTER, INC.	$172,184.27	FQHC Look-Alike
NEW HANOVER COMMUNITY HEALTH CENTER INC dba MEDNORTH HEALTH CENTER	$154,003.78	FQHC
OPPORTUNITIES INDUSTRIALIZATION CENTER, INC. dba OIC FAMILY MEDICAL CENTER (OIC OF ROCKY MOUNT)	$162,939.09	FQHC
PERSON FAMILY MEDICAL CENTER	$144,547.36	FQHC
PIEDMONT HEALTH SERVICES, INC.	$408,780.06	FQHC
ROANOKE CHOWAN COMMUNITY HEALTH CENTER, INC.	$197,561.52	FQHC
ROBESON HEALTH CARE CORPORATION	$177,167.14	FQHC
RURAL HEALTH GROUP, INC.	$343,120.29	FQHC
STEDMAN-WADE HEALTH SERVICES, INC., THE	$149,753.24	FQHC
TRI COUNTY COMMUNITY HEALTH COUNCIL, INC dba COMMWELL HEALTH	$257,002.57	FQHC
TRIAD ADULT AND PEDIATRIC MEDICINE, INC.	$179,615.75	FQHC
UNITED HEALTH CENTERS	$151,510.68	FQHC
WAKE HEALTH SERVICES, INC. dba ADVANCE COMMUNITY HEALTH	$209,112.55	FQHC
WEST CALDWELL HEALTH COUNCIL INC	$136,301.74	FQHC
WESTERN NC COMMUNITY HEALTH SERVICES INC	$189,959.61	FQHC
TOTAL APPROPRIATED TO NCCHCA	***$7,425,000***	