



## **Report to the North Carolina General Assembly**

**Submitted by the North Carolina Association of Free and Charitable Clinics on June 30, 2021**

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The North Carolina Association of Free and Charitable Clinics (NCAFCC) respectfully submits this report to Members of the North Carolina General Assembly in accordance with Section 3.3(32) of NC Session Law 2021-1 which requires NCAFCC to submit a report on the use of funds appropriated by July 1, 2021. This report summarizes NCAFCC's use of funds from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act and is submitted pursuant to the requirements of Session Law 2021-1 and represents an update to the prior report submitted on March 30, 2021.

### **Background**

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On May 4, 2020, the North Carolina General Assembly appropriated \$5 million through Session Law 2020-4 to NCAFCC early in the COVID-19 pandemic for distribution to our Members to cover the cost of eligible health services provided during the COVID-19 emergency. The period of performance was retroactive, beginning on March 1, 2020 through December 30, 2020. Session Law 2020-80 was subsequently enacted on July 1, 2020 and increased this appropriation to \$7.425 million and expanded the use of the funds to other costs allowed pursuant to federal guidance. On September 4, 2020, NCAFCC was appropriated through Session Law 2020-97 an additional \$5 million, bringing the total 2020 state appropriation to NCAFCC to \$12.425 million. NC Session Law 2021-1, passed on February 10, 2021, extended the use of the appropriation to the deadline established by applicable federal law and guidance.

NCAFCC represents 72 free and charitable clinics and pharmacies serving the needs of 85 counties across the state that are a part of the state's primary care safety net. NCAFCC's clinics and pharmacies address the health care needs of the uninsured and are supported primarily through private donations and the generous volunteerism of over 5,000 healthcare workers. Without the ongoing intervention of safety-net providers like NCAFCC's clinics and pharmacies during the pandemic, uninsured patients will seek care at hospital emergency departments. Due to volunteers and community contributions, free clinics' costs to provide care are just a fraction of the costs of care at a hospital emergency room.

NCAFCC's recent 2020 Annual Outcomes Survey confirmed the impact of the COVID-19 pandemic on Member organizations. A significant decrease in volunteerism was experienced across Member organizations in 2020 due to COVID-19 risk (decrease of 1,725 volunteers from 2019, including 506 physicians, 523 nurses/CMAs/CNAs and 62 pharmacists), necessitating the hiring of new staff to offset the loss of volunteers (123 new staff hired in 2020, including 40 full-time and 83 part-time positions). At the same time, large numbers of new patients sought care at Member clinics in 2020, many of whom were unemployed as a result of the pandemic. Due to COVID-19, fundraising efforts have been curtailed due to limits on gatherings and charitable giving to clinics has decreased, all while new patient counts have increased. All these factors created a perfect storm of financial vulnerability for Members. The 2020 appropriations were a lifeline for NCAFCC's Members.

## **Scope of Work**

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As the Recipient of this appropriation, NCAFCC has distributed funds to Member free and charitable clinics and pharmacies (our “Subrecipients”) to provide eligible health services to their patients. The term “eligible health services” and all other aspects of the Recipient’s obligations under the grant contract have been interpreted and applied consistent with the CARES Act enacted by the U.S. Congress, as well as U.S. Treasury and North Carolina Pandemic Recovery Office (NCPRO) guidance documents.

Except for minimal funds used to cover grant-related administrative expenses incurred by NCAFCC as authorized by the contract with NCPRO, funds appropriated to NCAFCC from the Coronavirus Relief Fund have been allocated to participating Subrecipients through an allocation plan that was submitted to the NC General Assembly’s Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division initially on July 8, 2020, with a revised plan submitted on October 9, 2020 in response to additional funds appropriated to NCAFCC by Session Law 2020-97. Each allocation plan was based upon three factors identified for each Member as of March 1, 2020: the number of unduplicated patients served; weekly hours of operation and the scope of medical, dental and/or pharmacy services rendered.

Grant management activities were centralized within NCAFCC to ensure compliance with contractual obligations, and to streamline communication and reporting requirements for our participating Subrecipients. Our internal process has been to distribute funds to Subrecipients only after a full review and approval of all expenditures occurs.

## **Performance Through May 31, 2021**

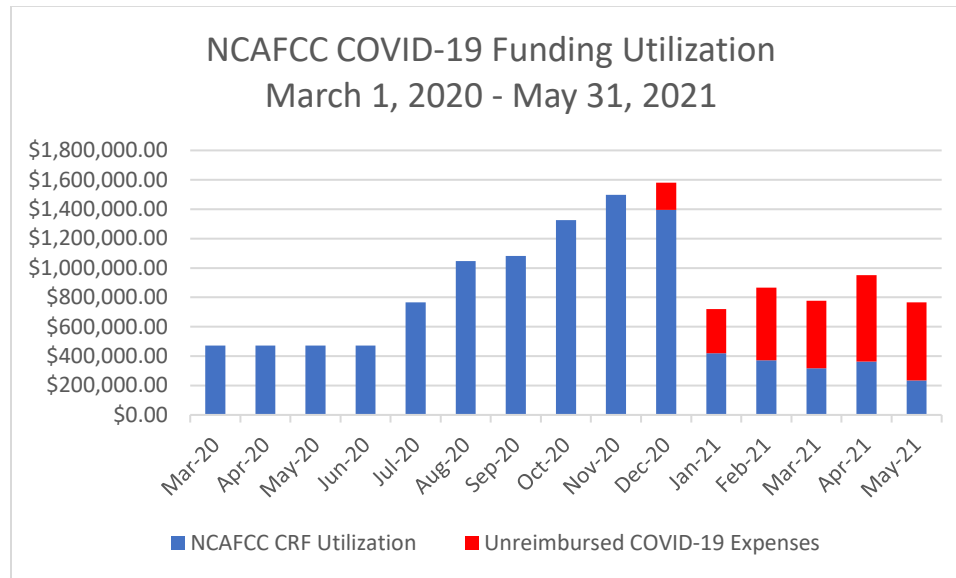
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During the period of March 1, 2020 through May 31, 2021, sixty of NCAFCC’s Members participated in the grant, collectively expending \$10,716,949.89 toward eligible health services related to the COVID-19 emergency. These Subrecipients provided medical, dental, behavioral health, pharmaceutical and social services to 20,673 new patients, many of whom were newly uninsured due to the COVID-19 pandemic. In total, they provided services to 84,015 uninsured patients during the performance period.

Importantly, Subrecipients cared for 3,906 confirmed COVID-19 patients as well as 10,709 suspected COVID-19 patients. Sadly, to date, 29 COVID-19 patient deaths have been reported by our Subrecipients, most of which were in January and February 2021. The start of 2021 marked many Subrecipients’ initial efforts to support COVID-19 vaccination across the state and to date, nearly 32,000 COVID-19 vaccines have been administered by our Subrecipients to their patients and community, many of whom represent underserved and historically marginalized populations.

Since its last report, NCAFCC completed an audit with the NCPRO office at the Office of State Budget and Management and was found to comply with the use of the Coronavirus Relief Funds. Two minor observations were noted regarding simple human errors (inadvertent application of sales tax to several expenditures and several instances of totaling errors). Each of these observations have since been satisfactorily addressed.

The graph below illustrates NCAFCC's use of Coronavirus Relief Funds (CRF) to date to reimburse Members:



The graph shows reimbursement payments to Members, as well as the eligible health care costs incurred by NCAFCC Members that have not been reimbursed (\$2,554,689.17). As demonstrated above, CRF utilization has decreased significantly in 2021 as 60% of our Subrecipients have met their individual allocations per NCAFCC's Funding Methodology and Allocation Plan. In fact, the total of incurred COVID-19 expenses beyond these Subrecipient's allocations to date is \$2,554,689.17 for NCAFCC and its Subrecipients. These expenses have not been reimbursed from funds appropriated by the Coronavirus Relief Fund due to them being in excess of individual Member allocations. Given limitations on fundraising activities over the last year, these expenses represent a sustainability concern for free and charitable clinics in the North Carolina.

**Total COVID-19 Expenses Per Category (incurred expenses, but not all have been covered by Coronavirus Relief Funds due to individual allocations being met):**

- **Employee Expenses: \$10,942,754.46**  
Payroll and benefits cost of credentialed, clinical employees who were substantially dedicated to the COVID-19 health emergency at Subrecipient organizations and the hourly cost for other staff who were engaged in COVID-19 related activities.
- **Contract Labor Expenses: \$1,446,411.23**  
COVID-19 related activities for contract labor during the COVID-19 health emergency at Subrecipient organizations.
- **Subcontract Expenses: \$161,535.44**  
Renovations to accommodate social distancing and infection control at Subrecipient facilities.
- **Goods Expenses: \$314,582.02**  
Cost to purchase sanitizing and disinfecting supplies, personal protective equipment and other COVID-19 related goods.
- **Equipment Expenses: \$312,529.42**  
Costs for securing equipment to enable telehealth capacity, COVID-19 screening and testing equipment, air purifying equipment and COVID-19 vaccine storage equipment.
- **Other Expenses: \$93,826.49**  
Miscellaneous expenses such as service fees for telehealth needs, as well as cleaning/disinfecting services.

**TOTAL: \$13,271.639.06 (for period March 1, 2020 through May 31, 2021)**

## 2021 Outlook – Additional Funding Needed

The total of Coronavirus Relief Funds remaining unspent by NCAFCC as of May 31, 2021 is \$1,708,050.11 for the 24 Subrecipients with funding remaining in their individual allocations. However, for those 36 Subrecipients who have exhausted their allocations to date, they continue to incur significant COVID-19 expenses amounting so far to \$2,554,689.17. With a planned closure of the NCPRO grant and redistribution of remaining funds per our allocation methodology in late fall 2021, NCAFCC expects to utilize the full \$12,425,000 across all participating subrecipients. With eligible incurred expenses averaging \$950,000 per month, \$2,554,689.17 in unreimbursed COVID-19 costs currently incurred, as well as additional COVID-19 costs projected through late 2021, NCAFCC projects a funding gap of at least \$8.5 million. NCAFCC respectfully requests an additional appropriation of at least \$8.5 million to sustain the provision of eligible health care expenses through December 2021. NCAFCC gratefully acknowledges that SB 105 proposes to fund this appropriation request at \$8.5 million. NCAFCC calculated this \$8.5 million based on the table below:

	CRF Utilization	Unreimbursed COVID-19 Expenses Due to Allocation Cap	Total
December 2020	1,396,087.03	163,643.74	1,559,730.77
January 2021	420,603.28	292,086.24	712,689.52
February 2021	372,455.41	437,620.72	810,076.13
March 2021	316,784.58	459,033.35	775,817.93
April 2021	363,271.22	587,070.92	950,342.14
May 2021	234,877.53	530,363.99	765,241.52
June 2021 (Projected)	272,663.35	670,045.82	942,709.17
July 2021 (Projected)	255,549.90	695,458.70	951,008.60
August 2021 (Projected)	251,173.91	717,930.98	969,104.89
September 2021 (Projected)	242,004.27	724,034.68	966,038.95
October 2021 (Projected)	686,658.68	288,341.32	975,000.00
Projected COVID-19 expenses (Dec 2020 through October 2021)			10,377,759.62
Current Balance of CRF Funds			- 1,708,050.11
COVID-19 Funding Gap Projection			<b>\$8,669,709.51</b>

An additional \$8.5 million appropriation for NCAFCC would enable its Member clinics to be reimbursed for eligible health care expenses for the continued care for uninsured patients across North Carolina, many of whom are at high risk of severe COVID disease and/or long-term consequences from COVID-19 illness. Unlike community health centers (FQHCs) who will receive a direct federal appropriation from the American Rescue Plan Act of 2021 (ARP), or Rural Health Centers who are eligible for direct federal grants through ARP, NC's free and charitable clinics rely only upon resources generated from within our state for their survival. We respectfully request the General Assembly's additional appropriation of a minimum of \$8.5 million to continue this program of care and services for North Carolina's uninsured and underserved populations through December 2021.