

Create Opportunities



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COVID – 19 Impact on Washington Community Health Centers



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Background

The Washington Association for Community Health engaged the national public accounting firm CliftonLarsonAllen (CLA) to conduct an analysis of the financial impacts of the COVID-19 pandemic on Washington's community health centers (CHC). There are 27 CHCs in Washington providing medical, behavioral, and dental services at more than 350 clinics and service sites across the state. During normal times Washington's CHCs serve 1.2M patients, providing access to care for an underserved population that is comprised primarily of Medicaid-enrolled and uninsured patients. As a result of COVID-19, CHCs have been forced to cancel or postpone non-emergency primary care and dental services, and to either cancel behavioral health appointments or, where possible, move them to telehealth modalities. This transition, combined with decreased demand for services due to the pandemic and the state's shelter in place order, has dramatically reduced CHC revenues, leading to staff furloughs, layoffs, and rapidly declining cash reserves.

To assess the overall financial effect of the pandemic, CLA developed an analysis to estimate the impact of COVID-19 on CHC revenues, net margins, and liquidity. The analysis also evaluated how the pandemic might be expected to affect CHCs' ability to continue operations given the financial pressures they are facing. CHC closures will restrict access to care for a vulnerable patient population and result in job losses for many Washington communities.

Analysis

To estimate the financial impacts of COVID-19, CLA collected budget and actual financial data from individual CHCs, including data from the statement of financial position, statement of activities, and statement of cash flows. CLA also collected data on the percentage of CHC revenue that is sensitive to COVID-19 related reductions in demand, and the corresponding percentage breakdown by service line of that demand-sensitive revenue, in order to better assess real-time revenue declines at CHCs. Those estimates of revenue declines across medical, behavioral, and dental service lines were aggregated and combined with actual financial data to then estimate revenue losses at individual CHCs and across all Washington CHCs.

Utilizing current operating reserve balances as of February 29, 2020, the model then estimated how many CHCs are expected to exhaust operating reserves due to a decline in demand for services and an inability to fully serve patients due to the shelter in place orders. Finally, the model identified the associated number of lost FTE positions and the number of patients that would lose their primary service provider based on the estimates of CHC closures.

Based on available CHC and other health care sector data, two scenarios were identified to estimate the effects of COVID-19. The first is a "Best Case" scenario, which approximates the average CHC experience based on reported data. The second is a "Realistic" scenario that combines reported CHC data with CLA market insights to accurately capture the real-time effects of COVID-19 on revenues. The estimated results of these two scenarios are presented below. These estimates are based on CHC financial impacts over a period of six months, from March 15 to September 15, 2020.



Results

“Best Case” Scenario

For the “Best Case” scenario, we assume that CHC revenue losses approximate the average experience of a health center based on reported data, with overall revenue declining an average of 44% for the analysis period. Under this scenario, we estimate the following effects on Washington CHCs.

- Revenues lost: \$353M
- CHC closures (i.e., exhausting operating reserves): 12
- CHCs with Days Cash on Hand less than 30 days: 17
- FTEs Lost: 6,602
- WA patients losing their primary service provider: 503,095
- Approximately 141 clinical sites lost

“Realistic” Scenario

For the “Realistic” scenario, we assume that overall CHC revenue losses average 59% over the analysis period, based on data reported by CHCs and CLA market insights gleaned from working with other health care organizations during the COVID-19 epidemic.

- Revenues lost: \$473M
- CHC closures (i.e., exhausting operating reserves): 16
- CHCs with Days Cash on Hand less than 30 days: 19
- FTEs Lost: 8,008
- WA patients losing their primary service provider: 611,178
- Approximately 167 clinical sites lost

No assurance provided.

