Introduction

Over the past several years, states have been faced with budget shortfalls and needed to cut essential programs. As a result, states have steadily cut funding for community health centers, who are often the only providers of care for the uninsured in their communities. Because providing a health home to everyone, regardless of insurance status or ability to pay is required by federal law, community health centers rely on their federal grants and state funding to provide services to the uninsured. With state funding for health centers continually falling victim to the budget ax, health centers’ ability to fulfill not only their mission, but their legal requirements becomes increasingly challenging. Despite the Affordable Care Act’s coverage expansions set to begin in 2014, an estimated 23 million Americans will remain uninsured and seek care at health centers. What the future holds for state funding for community health centers is anyone’s guess. Each year brings new opportunities and challenges; however, a turnaround of current trends is not yet in sight on a national level.

The Current Landscape

State Budget Conditions

At the beginning of the 2013 state fiscal year that began July 1, 2012, 31 states faced nearly $55 billion in shortfalls. While much less than in previous years, this still represents an enormous deficit and states will likely continue to make cuts in programs in order to fill the gap. Over the past four years, states have closed nearly $540 billion in budget shortfalls with a combination of spending cuts, use of reserve funds, revenue increases and federal stimulus dollars. When federal aid from the American Recovery and Reinvestment Act of 2009 (ARRA) largely ran out at the end of Fiscal Year 2011, states were forced to revisit some of the more drastic cuts they were able to avoid in the years prior. With the 2014 budget cycle well underway, the fiscal outlook is greatly improved, yet still in slow recovery. Tax revenues are up in many states and surpluses have been projected in several states. Despite these positive developments, cuts to essential programs and services still loom large for the years ahead.¹

State Funding for Community Health Centers

Community health centers face a decline in state funding for the fifth year in a row. According to an assessment conducted by the National Association of Community Health Centers (NACHC), 29 states will appropriate a total of $287 million in State Fiscal Year (SFY) 2013. This is approximately $48

¹ Center on Budget and Policy Priorities
million less than last year (a 14% decline). The trend in direct state funding is illustrated below in Figure A.²

Thirty-five states provided funding to health centers in SFY2012 while only 29 appropriated new funding in SFY2013 (See Figure B). Only four states saw significant decreases (greater than 15%) in funding from SFY 2012. Health centers in several states are still utilizing one-time funding appropriated in previous years. Missouri’s appropriation has remained level, but will shift $200,000 toward the state’s share of the Section 2703 Health Home demonstration, which will see a federal matching funds return of an additional $1.8 million, bringing the total health homes program funding to $12 million in 2013.

Community health centers use their state funding for a variety of services and operating expenses. About 15 states have a direct community health center line item in their budget which specifies how this money will be used; most commonly, it is for access to care for the uninsured. Similarly, health centers in approximately 11 states receive funding through a larger state indigent or low-income care pool which provides money to multiple safety net providers in the state. Several states provide money for health centers to run prevention and wellness programs, such as tobacco cessation or HIV education. A small number of states also provide funding to support dental, behavioral health or prescription services for health center patients. Due to cuts in SFY 2012 funding, primary care associations in several states reported health center staff layoffs, increased wait times, reduced services or inability to expand services and/or sites. While the impacts seem to be less dramatic than in previous years, this might be in part due to health centers’ ability to absorb and adjust to a new fiscal reality that has been emerging over the past five years.

² For the purposes of this report, direct state funding is defined as a line-item appropriation and/or grant or contract that the state provides to the PCA and/or health center, excluding any Medicaid funding or federal grant dollars.
Conclusion

While the federal investment in health centers has increased, a perfect storm is gathering in many states with regard to financing for health centers. Increasing numbers of patients with limited options for insurance coverage coupled with decreased funding for uncompensated care and expansion of services and capacity present a number of challenges to health centers’ ability to continue to adequately provide care. As states consider whether or not to expand Medicaid, investments in the safety-net must continue to grow, not diminish.

Research Methods

In June 2011, NACHC sent a questionnaire to PCAs in 50 states, the District of Columbia, and Puerto Rico to assess the status of state funding for health centers. The responses were collected using an online tool (Survey Monkey) and relied on the self-reported information from PCAs. The response rate was 94%.
<table>
<thead>
<tr>
<th>State</th>
<th>FY2012 State Funding Level</th>
<th>FY2012 State Funding Level (Actual)</th>
<th>FY2013 State Funding Level</th>
<th>Change in Funding (in %)</th>
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<td>State Bioterrorism Funds: $400,000 Pregant undocumented women $500,000 for bioterrorism grants</td>
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<td>Increased by 327.8 This is a competitive grant, and applications are due in August 2012. FQHCs will only receive a portion of this funding.</td>
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<td>Utah</td>
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<td>State Primary Care Grants: $274,385 Immunization Program: $250,000 AmeriCorps: $150,000 Heart Disease and Stroke: $58,500 Diabetes Prevention and Control: $47,000 Tobacco Cessation: $35,000 Asthma Prevention and Control: $8,400 Emergency Preparedness: $55,000</td>
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<td>Primary Care Grants - $312,253; State General Funds; primary care for uninsured; competitive grant Immunization Program - $350,000; CDC; QI &amp; Process improvement; contract Heart Disease &amp; Stroke Prevention - $75,000; CDC; QI &amp; Process improvement; contract Diabetes Prevention and Control - $48,000; CDC; QI &amp; Process improvement; contract Tobacco Cessation - $65,000; tobacco tax; contract</td>
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<td>Emergency Preparedness - $40,000; Federal Hospital Preparedness Program pass-through; contract Utah Commission on Volunteerism (AmeriCorps) - $150,000; Federal Corporation for National and Community Service; competitive grant</td>
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State Policy Report  #42
State Fiscal Year 2013 Funding for Community Health Centers

Prepared By:
Rob Kidney for NACHC

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Washington, DC 20005

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202.296.3800

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