Health Center Success in Obtaining Paycheck Protection Loans
Analysis Prepared by Capital Link for NACHC
June 15, 2020

Background and Notes on Methodology:

- Capital Link fielded a SurveyMonkey assessment to determine health center success and experience in applying for a PPP loan between April 14 and early June, 2020. It was sent to all health center CFOs several times.
- We also reached out to PCAs to ask them to share the responses they had received from members, for those PCAs who had also been tracking these results.
- Altogether, we received responses from 423 centers located in 50 states and territories. This sample represents 29% of the total 1,446 FQHCs (330s and LALs).
- We tested the sample by location and by size of center to determine whether our respondent group was reasonably representative of the group as a whole.
  - The urban/rural match was almost exact:
    - While 44% of FQHCs are rural, rural centers were 43% of the respondents
    - While 56% of FQHCs are urban, urban centers made up 53% of the respondents
    - 4% of the respondents were of unknown origin, as these results were provided by PCAs that did not disclose the names or locations of the centers.
  - The size match, as measured by patient visits (2018 UDS) was very close. To correct for the fact that neither Public Entities nor health centers with FTEs greater than ~450 were eligible to apply for PPP loans, we removed them (192 or 14%) from the size sample. We then binned the remaining centers into quartiles based on patient visits in 2018. These are the results:

<table>
<thead>
<tr>
<th></th>
<th># Known Respondents (*)</th>
<th>% Responded</th>
<th># of FQHCs</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Quartile 1&quot;</td>
<td>67</td>
<td>16%</td>
<td>314</td>
<td>22%</td>
</tr>
<tr>
<td>&quot;Quartile 2&quot;</td>
<td>99</td>
<td>24%</td>
<td>313</td>
<td>22%</td>
</tr>
<tr>
<td>&quot;Quartile 3&quot;</td>
<td>105</td>
<td>26%</td>
<td>313</td>
<td>22%</td>
</tr>
<tr>
<td>&quot;Quartile 4&quot;</td>
<td>105</td>
<td>26%</td>
<td>314</td>
<td>22%</td>
</tr>
<tr>
<td>Not Eligible</td>
<td>31</td>
<td>8%</td>
<td>192</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>407</strong></td>
<td><strong>100%</strong></td>
<td><strong>1446</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(*) 1 respondent is a new 2019 LAL (the above uses 2018 UDS data)

- Overall, the respondents skewed slightly larger than the group of eligible health centers, but each quartile was still well represented in the total. 8% of the respondents were not eligible to apply for PPP vs 14% of the group as a whole (this result isn’t that surprising, given that those who were not eligible may have been less motivated to respond).
- Based on this analysis, we believe that the sample is reasonably representative of the group as a whole.
Key Findings:

- 87% of the respondents applied for a PPP loan vs 87% of health centers that were eligible to do so. Extrapolating from the sample, it would appear that almost every health center that was eligible to apply did apply.
- The centers that had the most initial success with applying and receiving rapid approval for PPP loans appeared to work with small-to-mid-sized local banks.
- Many centers reported challenges and frustrations with the application process itself, including: unclear application processes requiring submission of multiple applications on changing application forms; banks that were not yet prepared to accept applications; banks that were prioritizing applications from current customers and/or applications above a certain size; and barriers to application based on status as a 501(c)(3) nonprofit organization rather vs a typical for-profit small business. As a result, at least 18% of applicants were still “in process” when the initial round of funding was fully allocated.
- Once Congress approved additional funding for the program and application processes became clearer, it appears that the “in process” applications were promptly funded. Given that there is still money available in the program, it is reasonable to assume that virtually every “in process” health center application was ultimately funded.
- Of those that applied, 71% of respondents reported the dollar amount of their loans. The average loan size reported was just over $2 million.
  - For rural centers, the average loan size was $1.6 million
  - For urban centers, the average loan size was $2.3 million
- Based on the responses, we estimate that approximately 87% of all health centers applied for and received loans through the Paycheck Protection Program. The estimated aggregate value of the loans is $2.5 billion, with approximately $910 million going to rural centers and $1.6 billion going to urban centers.
- Approximately 94 nonprofit FQHCs could not apply for a PPP loan because they exceeded the program’s 500-employee maximum. If these centers had been allowed to apply, they would have been eligible to receive loans totaling approximately $794 million. Without this resource, these larger centers were disadvantaged as compared to their smaller peers and therefore may have faced greater challenges maintaining their staff while responding to the pandemic.