



FINANCIAL SUSTAINABILITY:

How Boards Can Respond to Financial and Reimbursement Shifts

Community health centers (CHCs) face rising costs, flat federal funding, a changing reimbursement landscape, and uncertainty around programs like 340B, making financial diversification and sustainability more important than ever. This short resource provides ideas about how CHC boards and Chief Executive Officers (CEOs) – in collaboration with their executive teams – can assess the impact of the changing landscape on the CHC's financial position and consider strategies for sustainability.

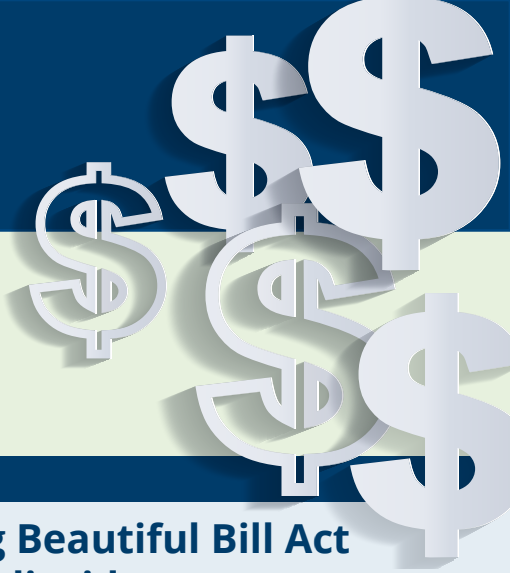
Understand the Shifting Landscape and Assess the CHC's Current Financial State

It is important for boards to understand changes in the financial and reimbursement landscape. Board meeting agendas can include time for policy and regulatory updates on items that impact CHC funding including the 340B program and the One Big Beautiful Bill Act which included significant changes to Medicaid.

CEOs – in collaboration with the Chief Financial Officer (CFO) – can help the board understand and assess the CHC's reliance on various forms of revenue (e.g., 340B, Medicaid, section 330 funding) to recognize the impact of potential changes.

Scenario planning, a strategic planning tool that allows an organization to consider various potential future events and plan for them, can then be used to plan for and address potential impacts. For example, the board can work with the CEO and their team to review various potential scenarios about how the changes to Medicaid may impact the payer mix at the CHC such as:

- 5% drop in Medicaid payments
- 10% shift in payer mix (fewer Medicaid patients, more uninsured using the sliding fee scale)
- Combined 10% drop in Medicaid revenue + 15% increase in uninsured patients accessing care



One Big Beautiful Bill Act and Medicaid

The One Big Beautiful Bill Act (OBBBA), H.R. 1, signed into law in July 2025, includes significant changes to Medicaid. Below is a high-level overview of the impact that will be implemented over a multi-year period:

- Reduced funding for Medicaid
- Requirements that many adults work or participate in community service or job training to remain eligible
- Requirements that states conduct more frequent eligibility reviews for enrollees which could lead to coverage loss
- Changes to how states can raise and use matching funds for Medicaid in expansion states

Over the next 10 years, health centers are expected to see a significant increase in uninsured patients. The National Association of Community Health Centers (NACHC) estimates that at least 2 million existing health center patients are expected to lose Medicaid coverage, and an additional 2 million patients who are newly uninsured after losing Medicaid and Marketplace coverage will turn to CHCs for care.

Questions boards can ask include:

- What percentage of the budget is covered through the 330 grant, 340B program, and Medicaid?
- What scenarios do we need to consider about changes to our payer mix given changes to Medicaid or potential changes to 340B?
- What's our plan for tracking payer mix shifts?
- What other forces are impacting the CHC's finances?

Determine Any Immediate Changes Needed to Ensure Financial Sustainability

Depending on a CHC's financial outlook, leadership may need to make some near-term changes to focus on sustainability. For example, CHCs may need to:

- Make adjustments to hours, sites, and services all of which require board approval.
- Adjust staffing models. It is important to give the CEO flexibility to consider needed changes. For example, continued investment in Outreach and Enrollment roles will be essential for helping patients navigate new requirements related to re-enrollment and manage systems related to forthcoming work requirements. Additionally, investment may be needed in revenue cycle management staffing and tools to enhance financial performance.
- Stop offering unrequired services that are not profitable.
- Explore alternative grants and/or form of fundraising.

Questions boards can ask include:

- What site and/or service consolidation might be necessary given the impact of changes to Medicaid and other forces?
- Do we need to consider no longer offering any (unrequired) services?
- Are there grant or fundraising efforts underway to offset increased uncompensated care?

Consider Revenue Maximization Strategies

CHCs are required – and it is a good governance practice – to have a strategic plan that charts a course for the organization's future. Boards and CEOs can think differently about strategy in the current landscape and consider various goals related to revenue. Strategies that boards, CEOs, and their leadership teams can consider include:

- **New lines of business outside of the CHC's Scope of Project** – CHCs may decide to implement an expansion opportunity outside of its Health Resources and Services Administration (HRSA) [scope of project](#) which is referred to as an "other line of business." Other lines of business do not need HRSA approval, do not need to meet HRSA's programmatic requirements, are not subject to HRSA oversight. For example:
 - One CHC launched a mobile youth crisis services program to dispatch staff to respond when youth are in crisis in the community.
 - Another CHC won the contract for delivering healthcare at correctional facilities in the community.
 - Several CHCs are offering urgent care centers, chiropractic services, or employer-based clinics.

- **Enhanced fundraising strategy** – CHCs can apply for public grants, private grants, pursue contributions from corporate or individual donors, and other strategies. This can be managed internally or through a related foundation. Boards can play an important role in building relationships with potential funders and engaging in the process. NACHC has a resource that helps CHCs consider whether to handle fundraising through a related foundation.
- **Traditional and non-traditional partnerships (e.g., corporate consolidation)** – CHCs frequently collaborate with other organizations for various reasons including to expand services, share administrative/managerial capacities, and reduce costs. Boards play an important role in evaluating and approving many of these partnerships.

CHCs can also consider whether corporate consolidation – including merger – may help it achieve its strategic goals. There are many reasons that CHCs consider corporate consolidation including merger. For example, consolidation can support a CHC’s strategic goals including:

- Enhancing and improving operations by integrating administrative and management functions;
- Achieving cost savings by consolidating the workforce;
- Maximizing and enhancing revenue; and
- Enhancing managed care participation by obtaining entry into health plans and networks.

The board is critical in determining whether corporate consolidation is consistent with the CHC’s mission and long-term strategic goals.

Questions boards can ask include:

- Are we considering other lines of business to help offset the impacts of these changes?
- What is our CHC’s fundraising strategy? What is the board’s role in fundraising to support this strategy?
- Does the CHC need to consider partnerships or consolidation (e.g., merger) to continue to ensure services are available to patients in our community?