

# Debt Financing in a Changing Healthcare Environment

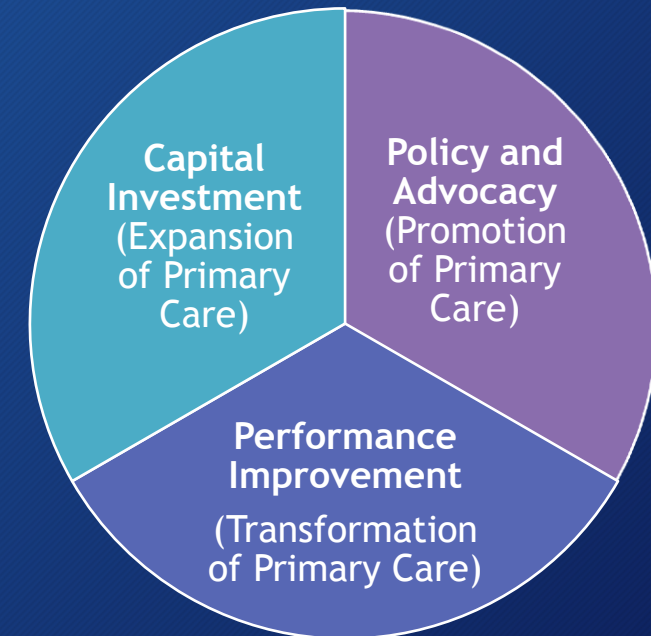


CHCANYS Annual Conference  
October 2014

William O'Brien  
Chief Lending Officer  
Primary Care Development Corporation

# Primary Care Development Corporation

- Founded in 1993
- Mission: to expand and transform primary care in underserved communities
  - Capital Investment
  - Performance Improvement
  - Policy and Advocacy
- Capital Impact
  - \$500+ million invested (Mostly NYS)
  - 100+ primary care projects
  - 900,000 patients
  - 850,000 square feet
  - 900 healthcare organizations strengthened
  - 5,000 jobs created/retained in low-income communities





# PCDC Financing Programs

- **Short Term Financing**

- Pre-construction Development
- Site Acquisition
- Construction
- Bridge loans to Grants
- Small-scale renovations, equipment, mobile vans, HIT build-out

- **Long Term Financing**

- Recapitalization
- Leasehold Improvements
- Development of newly constructed facilities
- Renovation and Expansion
- Acquisition/Consolidation
- New Markets Tax Credits



# How PCDC Has Helped FQHCs Access Capital

**Project:** Development of Replacement Facility for Boriken Neighborhood Health Center

**Location:** Harlem, Manhattan, NY

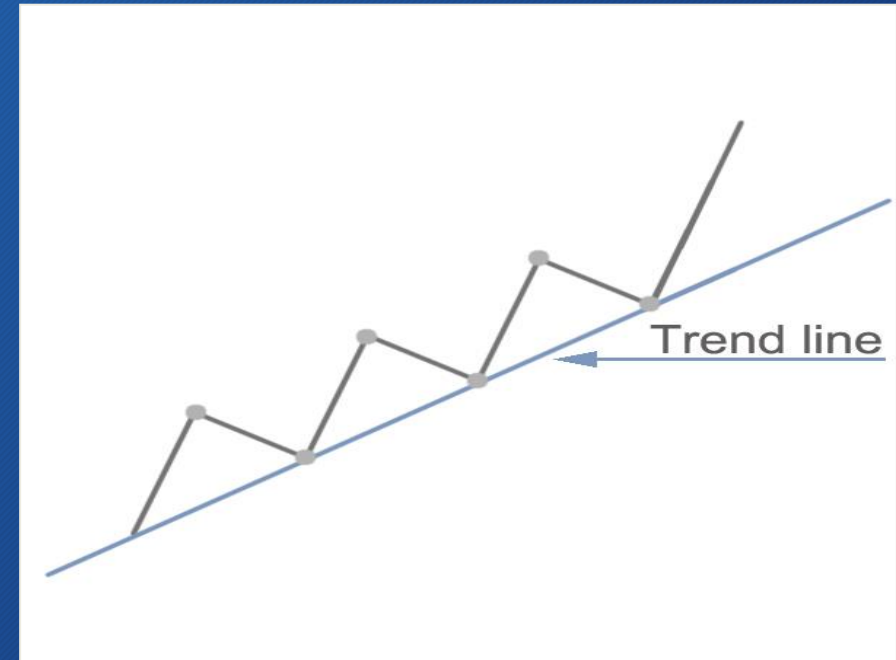
## PCDC Loans:

- \$500,000 Site Acquisition Loan
- \$643,000 Pre-Construction Loan
- \$4,000,000 Leveraged Loan in conjunction with \$26,000,000 New Markets Tax Credit Facility



# National Trends

- Staffing Challenges
- Consolidation
- Expansion (including interstate)
- Vertical integration
- Renovation
- Leadership changes
- Fiscal Uncertainty
  - Impact of ACA
  - 330 Cliff
  - Payment reform





# Debt: Myths v. Reality

*It's too complicated!*

*We're waiting for a grant!*

*We'll go bankrupt!*



*I'll never qualify!*



# Debt: Why bother?

- Advances your project quickly
- Enables larger projects with greater impact
- Attracts funds from other sources
- Mitigates cash flow lags from other
- Preserves cash on hand

*I've taken advantage  
of windows of opportunity  
by borrowing money &  
not waiting for grants.*  
Pennsylvania FQHC CEO





# Lender's Perspective on Payment Reform

- Unknown:
  - What are the specifics for the revised revenue model?
  - When will it happen?
- Known (or consensus-driven):
  - Some degree of fixed and variable payments
  - Variable payments tied to quality and outcome
- PCDC's Evaluation: How is the FQHC preparing for the future?
  - Data capacity: EHR completion and implementation
  - Meaningful use recognition?
  - PCMH recognition?
  - Early Alternative Payment Methods?
  - Early ACO construct?