

# Sustaining California's Safety Net Through Core Support Funding

A Summary of the 2007 Community Clinic Initiative Grantee Reports

## Overview

Over the past five years, Blue Shield of California Foundation (BSCF) has provided close to \$30 million in core support grants to nearly all of California's community, free, and tribal clinics, and clinic consortia through the annual Community Clinic and Consortia Core Support Initiative. The goal of the Clinic Initiative is to strengthen the network of front-line healthcare providers who serve California's low-income and uninsured populations.

Each year, BSCF requires Clinic Initiative grantees to report how the core support grant funds were used and the ways in which changes in the external environment impacted each organization. The most recent review of the 179 Clinic Initiative reports from community, free, and tribal clinics revealed common challenges and unique strategies to overcome these challenges.

## Common Themes and Practices

### Clinic Initiative funds are applied to a wide range of expenses.

As demonstrated in Table 1, grantees used core support funds for a wide range of expenses including the purchase of medical supplies and equipment, staff and board development, and improvements in information technology.

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table 1

**Clinic responses to how their organization used Blue Shield of California Foundation Core Support Initiative funds (each clinic could choose more than one category).**



**Clinics are navigating a challenging fiscal environment.**

The most frequently cited external influence on clinics' ability to provide services was California's fiscal crisis. Forty-one percent of clinics noted that the state budget deficit will have a long-term negative impact on their ability to meet an increasing need for services. Grantees commonly identified four strategies that the state is employing (or may employ) to address the budget deficit: Medi-Cal check cut delays, reduction in Medi-Cal reimbursement rates, county budget cuts, and closure of hospitals and other safety net providers.

A large clinic in Imperial County commented:

“State deficit and reduction in healthcare benefits will affect our ability to provide services to our patients. We still do not know the extent of the effect, but we are making plans to operate at reduced levels of funding. Also, we are preparing for an incoming cash flow crisis, caused by state delay in Medi-Cal payments starting in July; which may last up to three months.”

A small rural clinic in Mendocino reported:

“Financially, we continue to function, although we are beginning to experience less stability as we respond to budget cuts, (Medi-Cal) check write withholds and no state budget moving into the next fiscal year. We have experienced a four percent increase in uninsured clients in the last six months. We expect that this number will grow with the (state's) current financial crisis.”

**Downturn in the economy equals an increase in uninsured patients treated at community clinics.**

Forty percent of clinics reported an increase in demand for health services, mostly from new patients, who are uninsured or underinsured. Many attribute the rise of new, uninsured patients to the weak economy.

A clinic in Davis reported:

“Many people who had coverage through their employers are no longer covered as employers drop coverage to save money. Also, more and more people are laid off and lose benefits as the economy worsens. We are also concerned about the proposed state budget cuts. This will impact our organization substantially. At a time when there is more need for our services, there will be less funding for them.”

A Sonoma County clinic reported a significant increase in the number of uninsured patients and noted:

“Almost a quarter of these newly uninsured have catastrophic healthcare policies, and they cannot afford to pay the day to day medical expenses. Or, they have \$1,000 to \$2,000 annual deductibles they have to meet before their policies begin to pay.”

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Clinics are experiencing a demand for a wider range of services. Some clinics are expanding their behavioral/mental health programs to meet the increased needs patients have around the stress of losing their homes and jobs.

**Hospital closures and reduction of services further strain community clinics.**

Twelve percent of clinics across the state reported difficulties meeting an increased demand for health services as a result of hospital and other medical provider closures in their communities. These clinics are serving patients in the following counties: Los Angeles, Sonoma, Humboldt, Modoc, Ventura, San Francisco, Mendocino, Lassen, Napa, and Tuolumne Counties.

One clinic noted that since the 2007 closure of King-Harbor Medical Center in Los Angeles County, the clinic has provided an additional 14,000 visits from zip codes previously served by that hospital over the previous fiscal year.

**Multiple strategies employed to manage financial strain.**

Clinics that will be significantly impacted by the delay in Medi-Cal reimbursements reported plans to set up a line of credit or take out a loan from a financial institution.

Other clinics, challenged by the growing demand for services, plan to expand the clinic facility and/or lengthen the hours of operations. One clinic wrote:

"This critical need for services has catalyzed our plans to expand, remain open for longer hours each week and treat as many local residents as possible. It has also reinforced our collaborations with specialty providers, and pushed us to increase our efforts to inform patients about alternate resources to hospital emergency rooms."

Planning to expand was reported by 107 of the 179 clinics (60 percent). Clinics that were more likely to report expanding services or facilities were medium sized (i.e. operating budgets were between \$3 million and \$10.5 million).

Coupled with growing an organization, many clinics are strategizing ways to increase their efficiencies, reduce costs, and seek new sources of funding to offset the declining public funding streams.

Plans to expand were reported by a medium sized clinic in Los Angeles:

“In the face of financial pressure, due to government budget cuts, our organization has taken a very proactive approach to increase productivity in its development department over the last year. We added two full-time positions within the development department; a development associate and a senior grant writer. This will allow us to increase the amount of proposals we submit to funding sources. We also purchased software for a more streamlined and efficient department.”

Two-thirds of the clinics reported leveraging BSCF core support grants to bring in additional funding.

Other common strategies clinics plan to implement to manage the challenging fiscal environment include: diversifying patient-payer mix; advocating for federal and state designation changes to broaden eligibility for public funding; pooling resources through local collaborations; infrastructure reorganization; and increasing patient fees.

While not a commonly reported strategy, but one worthy of noting, a clinic in Alameda is developing a visibility campaign to elevate the public's awareness about the important role the clinic plays in the community. With increased visibility, this organization hopes to solicit financial support from policymakers, funders, and individual donors.

#### **Core support grants leveraged to obtain additional resources.**

Two-thirds of the clinics reported leveraging BSCF core support grants to bring in additional funding. One grantee in Los Angeles attributed its success in raising additional funds to Blue Shield of California Foundation's reputation and commitment to core support funding. Other grantees said that core support grants helped them leverage funds by enabling staff to dedicate more time to fund development and fundraising activities. Small organizations, with operating budgets of less than \$3 million, were more likely to report leveraging the 2007 core support funds than medium and larger organizations.

A small clinic in Kings County said:

"Yes, this funding has helped us leverage additional funding by utilizing these funds for operational expenses, during a year when we will be submitting to the state for a change in scope. When our Medi-Cal rate is adjusted for our change in scope, we will receive an increased rate from Medi-Cal in future years. Your support should translate to \$15,000 in increased Medi-Cal payments in 2009 and beyond."

### **Conclusion**

Blue Shield of California Foundation's Community Clinic and Consortia Core Support Initiative provides flexible funding that allows clinics to allocate resources wherever they are most needed in the organization. In difficult economic times, this type of funding proves even more vital to sustaining California's community clinics. While the reports from the 2007 Clinic Initiative grantees articulate concerns about how the state budget will impact financing for the safety net, they also show that clinics are taking very careful and deliberate steps to successfully overcome the challenging fiscal environment.

*Report prepared for Blue Shield of California Foundation by Wendy Todd, Program Officer, and Courtney Bennett, Consultant. August, 2008.*

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