

MINUTES OF THE HOUSE SOCIAL SERVICES BUDGET COMMITTEE

The meeting was called to order by Chairman Bob Bethell at 3:30 P.M. on March 7, 2007 in Room 514-S of the Capitol.

All members were present except:

Barbara Ballard- excused
Pat George- excused

Committee staff present:

Amy Deckard, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Kay Dick, Committee Assistant

Conferees appearing before the committee:

Martin Kennedy - Department of Aging
Karla Finnell, Exe. Director, Kansas Association for the Medically Underserved
Patti Spencer, Grants & Project Officer, Shawnee County Health Agency
Diane Gjerstad, Wichita Public Schools
Chris Teilden, PhD, Director, Office of Local and Rural Health

Written Testimony was received from:

Doug Stucky, CFO, Community Health Center of South East Kansas
Dave Sanford., Exe. Director, Grace Med

Others attending:

See attached list.

The meeting was called to order at 3:30 by Chairman Bethell.

Hearing in HB 2535 - Department on aging, license fees for adult care homes, state licensure fee fund

The Chair requested an overview of **HB 2535** be given to the Committee by Amy Deckard, Kansas Legislative Research Department. Department on aging, license fees for adult care homes, state licensure fee fund. Amy Deckard also advised the committee of the fiscal note.

The Chair recognized Martin Kennedy, Department of Aging, as a proponent to **HB 2535**. Mr. Martin stated that **HB 2535** is needed to provide a source of funding for adult care home survey and certification activities in the Licensure, Certification and Evaluation Commission at Kansas Department on Aging. He went on to say that without additional funds, the program would be unable to meet the statutory and contractual obligations. (Attachment 1)

Questions regarding the fees was asked by Rep. Hawk. Mr. Kennedy answered the questions to the Representative satisfaction.

Rep. Mast asked for comments from Mr. Kennedy regarding inspections and attitudes of the inspectors. Mr. Kennedy remarks stated that the surveyors are required to adhere to a set of professional standards that are set out in our policies internally and there is oversight provided to them and the work they do. If there feedback that the surveyors are not operating professionally then there is follow-up on that and then through the personnel process.

Representative Rhoades asked for a clarification on the fees. Mr. Kennedy explained that **HB 2535** would provide a mechanism to provide fee funding for the program instead of being deposited directly to the State General Fund.

The hearing on HB 2535 was closed.

CONTINUATION SHEET

MINUTES OF THE House Social Services Budget Committee at 3:30 P.M. on March 7, 2007 in Room 514-S of the Capitol.

Hearing on HB 2547 - Primary care safety net clinic capital loan guarantee act

Chairman Bethell opened the hearing on **HB 2547** asking Amy Van House, Legislative Research Department to give an overview of the bill for the Committee.

The Chair recognized Karla Finnell, Executive Director for Kansas Association for the Medically Underserved. Ms. Finnell testified as a proponent on **HB 2547**. She stated that a number of primary care safety net clinics have significant capital projects planned in areas of need in terms of primary health care service for medically underserved populations, including dental care.

The purpose of the capital loan guarantee program is to promote the availability long- low-cost conventional financing for the development and renovation of safety net primary care clinics. Such financing will allow primary care clinics to expand their capacity to provide comprehensive primary health care services. (Attachment 2)

Chairman Bethell recognized Patti Spencer, Grants & Project Officer for Shawnee County Health Agency as a proponent for **HB 2547**. She gave testimony on background information on the impact of **HB 2547**. She stated that, "In order to continue serving the needs of our patients we must constant ly be implementing the most efficient methods while balancing quality, access and program effectiveness." Ms. Spencer asked for the Committee's support of **HB 2547** as a tool to Kansas' safety net primary care clinics to meet the growing uninsured and under insured medical needs of Kansans. (Attachment 3)

The Chair recognized Diane Gjerstad, representing Wichita Public Schools, who appeared in support of **HB 2547**. Ms. Gjerstad stated that passage of the bill would allow partnerships such as what Wichita's Board of Education is forging. She suggested that the bill become effective on publication in the Register and it would be extremely helpful if the establishment of the act could be expedited to assist other non-profit projects. (Attachment 4)

Chairman Bethell welcomed Chris Tilden, Director of the Office of Local and Rural Health for the Department of Health and Environment. Dr. Tilden provided comments on **HB 2547**, stating that KDHE has the intention to contract with the Kansas Development Finance Authority to assist in the implementation of the proposed bill. (Attachment 5)

Committee was furnished written testimony in favor of **HB 2547** from Dave Sanford, representing GraceMed, (Attachment 6), and Doug Stuckey, on behalf of Community Health Center of South East Kansas (Attachment 7).

Hearing was closed on HB 2547.

The meeting adjourned at 4:55. The next meeting is scheduled for March 8th.

SOCIAL SERVICE BUDGET COMMITTEE GUEST LIST

DATE: MARCH 7 2007

NAME	REPRESENTING
Amy Perrod	DOB
Marty Kennedy	KDA
Cora Greve	KAMU
Patti Spencer	SCHA
Alice Wengert	SEHA
Barb Conant	KDOA
Dan Murray	Federico Consulting
Mary Sloan	KATSA



KANSAS

DEPARTMENT ON AGING
KATHY GREENLEE, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

**Testimony on House Bill 2535
to
The House Social Services Budget Committee
by Martin Kennedy
Commissioner of Licensure, Certification and Evaluation**

Kansas Department on Aging

March 7, 2007

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you in support of House Bill 2535. This bill is needed to provide a source of funding for adult care home survey and certification activities in the Licensure, Certification and Evaluation (LCE) Commission at KDOA. Without additional funds, the program will be unable to meet its statutory and contractual obligations for FY 2007 and FY 2008.

The LCE commission is composed of adult care home surveyors who conduct licensure inspections for approximately 300 federally certified nursing facilities and 350 other State-licensed adult care homes in Kansas. The program serves several different licensure classifications including nursing homes, assisted living facilities, residential health care facilities, homes plus and intermediate care facilities. Together the facilities regulated by KDOA comprise more than 34,000 licensed beds.

Approximately 80 surveyors perform annual surveys of facilities across the state. Those nursing facilities certified to receive federal Medicare and Medicaid reimbursements are surveyed under contract with the federal Centers for Medicare and Medicaid Services (CMS), while state law requires regular oversight of the various state licensed facilities. In addition to health survey activities, the LCE program receives and investigates complaints regarding adult care homes including allegations of abuse, neglect and exploitation of adult care home residents. More than 6,000 complaints will be investigated this year. The department also imposes corrective actions and civil monetary penalties against adult care homes when they fail to meet performance standards.

The State Fire Marshal performs life safety code compliance surveys of nursing facilities. CMS subcontracts the federal life safety code survey process through a contract administered by KDOA.

NEW ENGLAND BUILDING, 503 S. KANSAS AVENUE, TOPEKA KS 66603 2404
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House Social Service Budget Committee
Date: 3.7.07
Attachment #

The LCE program is funded by a combination of federal Medicare and Medicaid sources, in addition to State general funds. Federal funding from Medicare, which consumes about one-third of the resources directed to federal certification of nursing facilities, has not grown significantly over the past several years. Because of the lack of growth in federal funding support, the State funded portion of the LCE budget has grown from \$2.2 million (40%) in FY 2004 to a projected \$3.4 million (almost 50%) in FY 2008. Based on the Governor's recommendation, the program faces an FY 2007 shortfall of \$432,795 (\$278,980 State funds) and in FY 2008 \$1,272,686 (\$820,373 State funds) due to declining federal funds availability.

Currently, receipts from State license fees of adult care homes are deposited to the State General Fund. The bill would deposit these fees to a newly created License Fee Fund in the Kansas Department on Aging where they would be available for operating the licensure and certification activities of the department. Should the bill pass, KDOA will request appropriation line items in FY 2007 and FY 2008 to allow expenditures from the fee fund.

Licensure fees are expected to total approximately \$600,000 per year. This funding is needed by KDOA to continue survey activities and meet program standards under state and federal law. The bill will provide a more direct relationship between the fees paid by adult care home licensees and the services provided for facilities. This is consistent with other licensure programs conducted by various agencies in state government where licensure fees are appropriated to operate regulatory activities.

Thank you for the opportunity to appear before you today and I ask you to support HB 2535.



Kansas Association
for the
Medically Underserved
The State Primary Care Association

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Testimony on:
**HB 2547- Capital Loan Guarantee for
Primary Care Safety Net Clinics**

Presented to:
House Social Services Budget

By:
Karla Finnell, JD, MPH
Executive Director
Kansas Association for the Medically Underserved

March 7, 2007

For additional information contact:
Kansas Association for the Medically Underserved

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House Social Services Budget Committee
March 7, 2007

Good afternoon Mr. Chairman and Members of the Committee. Thank you for allowing me to appear before you today. My name is Karla Finnell; I am the executive director of the Kansas Association for the Medically Underserved. I would like to briefly speak with you today about the Capital Loan Guarantee program KAMU has proposed

KAMU is an association of primary care safety net clinics who share the mission of increasing access to primary health care services. *For every \$1 spent in primary care clinics, at least \$3 in more costly care is saved, such as avoidable hospitalizations and emergency room visits.* Although Kansas has at least 34 safety net clinics that serve more than 126,000 Kansans a year, demand exceeds existing clinic and provider capacity in most areas. There are large geographic areas in Kansas where great numbers of people have no access to a primary health care home at all.

A number of primary care safety net clinics have significant capital projects planned in areas of need in terms of primary health care services for medically underserved populations, including dental care. Projects are planned in both urban and rural areas including Topeka, Hutchinson, Pittsburg, Wichita, and Kansas City, Kansas. Communities are planning clinics with sliding fee scales in Independence as well as Hays, Kansas. For every 1% saved in interest paid on loans to finance increased access to health care, savings of over \$15,000 can be realized over the life of the loan to be reinvested in patient care. For a loan of \$1M dollars, savings could exceed \$250,000. The opportunity for a guaranteed loan can also leverage private investment and community investment programs offered by lenders.

The purpose of the capital loan guarantee program is to promote the availability of long-term, low-cost conventional financing for the development and renovation of safety net primary care clinics. Such financing will allow primary care clinics to expand their capacity to provide comprehensive primary health care services.

In addition to creating a valuable community service, the program will stimulate economic development opportunities and employment in low-income and rural areas. The program will operate through private-sector lenders who will provide loans guaranteed by the State of Kansas. No funds will be appropriated for direct lending or grants for construction.

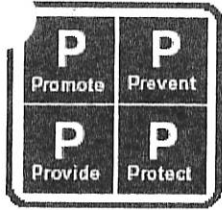
The primary benefits of the loan guarantee program to safety net primary care clinics include creating the capacity to obtain higher loan amounts, stronger loan applications, lower interest rates, and longer repayment terms. Some of the benefits realized by lenders consist of providing another tool to expand their loan portfolio, improving the economy and quality of life in low income and rural communities, and reducing historical concerns surrounding lending funds to non-profit service organizations.

Please note a few key points in the bill language-- Loans eligible for a guarantee under this program must be used for renovation, construction, acquisition, modernization, leasehold improvements, and equipping of health centers, FQHC-Look Alikes, and

House Social Services Budget Committee
March 7, 2007

indigent clinics. The maximum amount of loan guarantees, including accrued interest, allowed for community based primary care safety net clinics under this program shall not exceed \$25 million. The principal of a loan guarantee to any single organization shall not exceed \$3 million.

Primary care safety net clinics' overarching goal is to improve the health of underserved Kansans. While not the complete solution or a substitute for health insurance, safety net clinics have proven to be a cost-effective means of promoting the health of underserved populations through a combination of supportive services and integrated primary health care. Clearly, there is a need to address the issue of financing capital projects undertaken by primary care clinics in order to strengthen and expand the primary care safety net clinic system. The proposed loan guarantee program addresses this need to increase access to health care, while also conferring many benefits by way of stimulating development within Kansas communities.



**Shawnee County
Health Agency**

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Anne G. Freeze, Director

To: House Social Services Budget Committee

From: Patti Spencer, M.P.A.

Grants & Projects Officer

Shawnee County Health Agency

Main Clinic – Central Topeka, Kansas

Hillcrest Clinic – East Topeka, Kansas

Maternal and Infant Clinic – Central Topeka, Kansas

Re: HB 2547 - Capital Loan Guarantee Program

Date: March 1, 2007

Mr. Chairman and Members of the Committee:

It is with pleasure and appreciation that I have the opportunity to provide some meaningful background information on the impact HB 2547, the Capital Loan Guarantee Program, would have to the safety net clinics across Kansas. In order to continue serving the needs of our patients we must constantly be implementing the most efficient methods while balancing quality, access and program effectiveness.

As the SCHA Grants Administrator, I am involved in securing funding for ongoing operations and future program/capacity development. In order to continue serving the needs of our current users, now more than 25% of the over 27,000 uninsured/under insured in Shawnee County, we must constantly be implementing the most efficient methods while balancing quality and access to keep our services' effectiveness. 51% of our total FQHC users are uninsured (UDS 2006 data).

In 2006 we implemented new 340b Prescription Assistance services and expanded our previously minimal mental health services now providing fully integrated primary care and mental health treatment to serve 40% more patients in just the first year. In mid-2006 SCHA commissioned a thorough evaluation of our Community Health Center organizational structure and operations. The primary purpose was to see if there were any other immediate options for expanding users and providers.

The consultants we hired were highly skilled and had worked with FQHCs from all over the country. The results of the study concluded there were few things we could do to expand services, providers, and ultimately serve more of the uninsured except to develop new facility space. *Since our existing 3 sites are pushed to their special capacities, that means finding or creating a new building.*

What would the existence of the Capital Loan Guarantee Program mean to SCHA?

It would provide the foundation for building support for a Capital Project Campaign. Having a portion of the funding in place and guaranteed prior to seeking support from individual donors, private foundations and local government sponsors would be a huge benefit to our agency's fund raising efforts. It would shorten the amount of staff and Board member time/energy spent convincing potential supporters of the project's legitimacy. *It would result in increased access to services and more providers in our community to meet the needs of the most vulnerable residents.*


The plan **does not** provide grants or gift dollars nor does it use state funds to directly lend to clinics for construction. It **does** provide a maximum of \$3 million to individual clinics for a total of \$25 million for all projects. The Loan to Asset Value Ratio is 66% so equity is required to solidify community investment and provide a budgeted cushion. Loans would be used for renovation, construction, acquisition, modernization and/or equipment.

Very soon, all federally funded clinics will be required to have in place an Electronic Health Record (EHR) system for which there are no grant federal funds, currently, available to purchase. This program, for that reason alone, would provide the needed "purchase over time" option clinics need to be able to obtain the hardware, training and installation services that would be a financial burden for many if forced to fund the purchase during a single budget year. Purchases for software would not be included as a Capital Loan project request.

Adding just one new provider would allow a clinic to serve hundreds of new patients per year. Purchasing and installing EHR will increase the efficiency of our support staff and provide, ultimately, better access and quality of care to our patients. The establishment of the Capital Loan Guarantee Program would allow safety net clinics to accomplish those goals quickly and successfully as they struggle to continue to meet the challenges we have now and work to plan for the needs we know will grow in the years to come.

I ask for your support of HB 2547 as a tool to Kansas' safety net primary care clinics to meet the growing uninsured and under insured medical needs of those who live and work in our state.

Respectfully submitted,


Patti Spencer



**House Social Services Budget Committee
Representative Bethell, chair
H. B. 2547 Primary care safety net clinic loan program**

March 6, 2007
Diane Gjerstad
Wichita Public Schools

Mr. Chairman and members of the committee:

The Wichita Public Schools rises in support of H.B. 2547 which creates a loan guarantee program for safety net clinics. We believe a project we are beginning illustrates the need.

Wichita's Board of Education has authorized the construction of a new K-8 school at 21st and Opportunity Way. This complex is located in northeast Wichita, just west of the Wichita State University campus, in a "Family and Children Empowerment Addition" designated by the City of Wichita. The school district has a school based clinic operated at Lincoln Elementary for over ten years. The Lincoln site has served over 46,000 low-income children. Over 4226 were served in calendar 2006. A dental program added in 2006 has served over 1600 children.

The partnership with GraceMed has a tremendously positive track record for our students and their families. The "new school" is an opportunity to expand this partnership. Attached to my testimony you will find the site map outlining the layout. The Board plans to authorize construction in early April. Because the district is governed by the cash basis law, the District must have the entire cost of construction in the bank, including the portion to fund construction of the clinic of about \$490,000.

GraceMed has launched a fund raising campaign which we are confident will be successful. However, it is both parties best interest to construct both the school and the clinic simultaneously. In order to build the project as one, the Board must bank the \$490,000, too. This will tie up one-half million of the District's capital outlay for two years. This is step our Board takes with cautiously and quite frankly many organizations would not have the same capability. This is why, in our opinion, this loan guarantee program is good policy.

Passage of H.B. 2547 would allow partnerships such as we are forging in Wichita. We would suggest the bill become effective on publication in the Register and it would be extremely helpful if the establishment of the act could be expedited to assist our project.

Thank you, Mr. Chairman.



Earhart Environmental Magnet Elementary & 25th Street K-8 Schools

4-2



25th Street K-8 Main Level

4-2



Kathleen Sebelius, Governor
Roderick L. Bremby, Secretary

DEPARTMENT OF HEALTH
AND ENVIRONMENT

www.kdheks.gov

Division of Health

Testimony on

House Bill 2547

House Social Services Budget Committee

Presented by

**Chris Tilden, PhD, Director
Office of Local and Rural Health**

March 7, 2007

Chairperson Bethell and Members of the Committee, I am Chris Tilden, Director of the Office of Local and Rural Health in the Kansas Department of Health and Environment (KDHE). I'm pleased to appear before you today to provide comments on House Bill 2547, a bill to establish a capital loan guarantee program for primary care safety-net clinics and health centers.

HB 2547 provides for loan guarantees allowing clinics to borrow for such purposes as purchasing land or buildings, development costs, consultant fees, renovation or new construction, equipment, and "limited working capital during a start-up phase." As we understand it, the bill is intended to support the capacity of safety net clinics to obtain higher loan amounts, lower interest rates, and longer repayment terms for capital expenditures. HB 2547 requires KDHE to establish a program requiring the agency to guarantee certain loans for clinics and health centers. KDHE currently provides technical and financial assistance to these clinics through the Community-based Primary Care Clinic Grant Program and the Prescription Drug Assistance Grant Program. KDHE has historically been the state agency most involved with the development of network of primary health care clinics and health centers for underserved Kansans.

We have several concerns about the capacity of our program to accomplish the objectives of this bill. None of the current roles, or the functions we perform in the clinic grant program or the charitable health care provider program, equips us to readily administer the provisions of this act with current expertise or staff. As such, it will be our intention to contract with the Kansas Development Finance Authority (KDFA) to assist in the implementation of the proposed bill. The KDFA is currently authorized to issue bonds for healthcare facilities and is increasingly being used as a statewide healthcare resource. Their involvement and experience as a bond issuer in the financial marketplace can serve to provide additional comfort to prospective

financial guarantors. We also expect that loan guarantee programs must have requirements for minimum reserve funds for loans that may go into default. We intend to rely upon the KDFA's expertise and experience in this area as well.

We would also recommend inclusion of funding for administrative start-up and operational expenses to be incurred by KDHE. The agency has already requested 1.0 FTE program analyst for the primary care clinic program in the SFY 2008 budget. The added agency responsibilities generated by the passage of this act makes the additional position essential. Other expenses would be incurred by Review Committee training, meeting costs, office equipment, and professional fees.

This bill authorizes up to \$25,000,000 in loan guarantees. We do not know how quickly the clinics will take advantage of this program or the amount of funds that might be borrowed. It is also unclear to us the source of the initial guarantee fund reserves and how they would be obtained.

Despite these concerns, we strongly support the concept of safety-net clinic loan guarantees. Expanding the capacity of these clinics and health centers is key to insuring that no Kansan goes without needed care. We are confident that the Committee will address the operational issues expressed within our testimony.

Thank you for the opportunity to appear before this Committee. I will be happy to respond to any questions you might have.

GraceMed

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Kansas West Conference

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March 7, 2007

Chairman Bethell and Distinguished Members of the Social Services Budget Committee:

My name is Dave Sanford and I am the Executive Director of GraceMed Health Clinic, Inc. in Wichita. GraceMed was established in 1979 as a Christian health care ministry and is affiliated with the United Methodist Church Kansas West Conference. We are also the only Federally Qualified Health Center Look Alike (FQHC-LA) in Kansas. This designation allows GraceMed to receive reimbursement for medical and dental care provided for Medicare, Medicaid and HealthWave-eligible residents. However, the majority of our patients are uninsured (53% in 2006).

I respectfully encourage you to consider and approve HB 2547, the Capital Loan Guarantee Bill, to promote the availability of long-term, low-cost conventional financing for the development and renovation of safety net primary care clinics, like GraceMed.

In the fall of 2004, GraceMed met with Via Christi Regional Medical Center representatives to identify potential sites for clinic expansion. We were very fortunate to find a Via Christi-owned building on the campus of St. Francis Hospital, in mid-town Wichita. Over the next year, GraceMed raised \$450,000 in private funds to remodel this larger facility and relocate our main medical and dental clinics to the site.

In January of 2006, GraceMed finally relocated to this larger facility. In so doing, we significantly increased access to quality health care for uninsured and underinsured residents of South Central Kansas. For comparison, in 2005, GraceMed recorded 20,652 patient visits to our dental and medical clinics. With this larger facility, GraceMed provided care through 30,083 patient visits in 2006, an increase of 46%!

GraceMed is blessed that the greater Wichita community, through private donations and foundation grants, supported the cost of our remodeling project. However, it did take over a year to raise all the funds necessary to accomplish our goal. If a **Capital Loan Guarantee** program had been in place, the remodeling could have started by January of 2005. And, our ability to increase access to quality health care for residents of South Central Kansas could have been moved up six months.

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Currently, GraceMed is faced with overwhelming demand for quality medical and dental services. We have a six-week waiting period for non-emergency dental care and a two-week waiting period for non-emergency medical care. To address this demand, we are currently:

- Adding four more dental operatories at our main clinic (for a total of ten). We waited until we had private funds to start this project.
- Raising funds to add nine additional medical exam rooms at our main clinic. This will allow GraceMed to hire three additional medical providers and provide care through another 11,200 patient visits per year.
- Raising funds to remodel our satellite clinic dental operatories so that we can provide both restorative dental care and hygiene services at these pediatric two clinics.

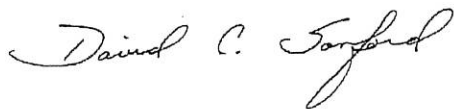
In addition to these projects, we have a wonderful opportunity with USD 259 to open a third pediatric satellite clinic as part of a new K-8 school to be built by the fall of 2008 in a low-income area of northeast Wichita. This clinic will also be close to a new Boy's & Girl's Club facility and The Opportunity Project, a pre-K education center for 200 children. We have begun to raise funds (\$490,000) for this project, yet would have benefited from a **Capital Loan Guarantee** program.

Obviously, the **Capital Loan Guarantee** program does not allow GraceMed or any other safety net clinic to abdicate its responsibility to raise funds for capital projects. However, this program would allow GraceMed and others to proceed with plans to add facilities to increase access to quality health care while providing a longer period of time to raise funds and cover project costs.

In Sedgwick County, there are over 55,000 uninsured residents. Our best estimate is that half receive care from one of five safety net clinics in the area. Many residents use hospital emergency departments for primary care. If agencies like GraceMed can increase access to care for area residents, not only will health outcomes improve, but the cost of providing care will be reduced. Community Health Centers throughout the country have proven to be the right option to achieve these desired results.

Approving the **Capital Loan Guarantee** bill is an opportunity to strengthen the safety net system in the State of Kansas.

Kind regards,



David C. Sanford
Executive Director
GraceMed Health Clinic, Inc



Community Health Center of Southeast Kansas

Wednesday, March 7, 2007

House Social Services Budget Committee

Social Services Budget: Bethell, Chairperson; Mast, Vice-chairperson; Crum, George, Kelsey, Rhoades, Henry, Ranking Minority Member; Ballard, Hawk.

My name is Douglas Stuckey, Chief Financial Officer of Community Health Center of Southeast Kansas (CHC/SEK), located in Pittsburg. I appreciate this opportunity to provide written testimony in support of the capital loan guarantee bill and how it could impact our organization and other primary care clinics in Kansas.

CHC/SEK is a Federal Qualified Health Center (FQHC) that was founded in May of 2003 with a mission to provide high-quality, culturally-appropriate and cost-effective health care to all individuals regardless of their ability to pay. We are the only provider of comprehensive primary care to the medically underserved in the nine-county region.

Our clinics provide a broad range of services including primary care, obstetrics, pediatrics, dental and behavioral health at seven locations in two counties. In the past year, we cared for 9,310 patients from 26 Kansas counties for a total 29,940 visits; 85% of our patients are either low-income and uninsured or recipients of public health insurance benefits. All services are offered on a sliding scale relative to income.

Between calendar years 2005 and 2006, CHC/SEK saw a 72% increase in patient visits. Even with its primary medical clinic open 50 hours per week, however, CHC/SEK reached physical capacity in 2005. Over one-third of patient visits take place in a hopelessly inadequate 1,500 square foot modular building,

To address our facility needs, we initially tried to pursue a \$400,000 community development block grant but failed because we could not secure an adequate bank commitment for the project. We were told CHC/SEK did not have enough financial history at the time, funding was too complex and the fact that we were a non-profit was detrimental in their analysis. A USDA loan guarantee was then investigated and started, but I estimated it would take more than two years to complete the loan application process alone, and we simply could not wait that long.

A capital loan guarantee at *that* time would have provided the State's validation of its primary care clinics, giving any potential lender the added confidence to finance a project that would not necessarily meet their more-strict commercial lending guidelines, even though CHCs are very sustainable given their cost-based reimbursement formula and consistent federal/state funding growth over the FQHC's thirty year history.

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Discouraged but not defeated, CHC/SEK began a campaign in July 2006 to raise funds for a new clinic that would offer primary care, mental health, dental and pharmacy services under one roof, consolidating four sites into one efficient space. To date, we have raised \$1,000,000 of the approximately \$2,000,000 project cost. One hundred percent of this money was raised in Crawford County, a county with one of the lowest per-capita incomes in Kansas. The balance of the construction will be funded by a consortium of three community-minded banks.

Today, Community Health Center of Southeast Kansas remains in that 1,500 square foot modular building. *Only* because of the generous support of our community and bankers who personally believe in our management and mission, we are moving into a 15,000 square foot facility next month. Our story is the exception, however, as most primary care clinics cannot garner this kind of community support because of the population we serve.

The State's imprimatur is vital to expanding primary care facilities, which ultimately reduces overall Medicaid costs by providing cost-effective care that will inevitably reduce emergency room visits.

It is my belief that a capital loan guarantee program would also provide a legislative "seal of approval" that would allow us to seek competitive financing rates, and not rely on the dwindling supply of truly-committed, community-minded bank officers. For every reduced interest rate point, CHC/SEK would save nearly \$250,000 in interest costs over the term of the loan, money which would be reinvested into patient care.

I believe the capital loan guarantee program would not cost the state one cent, assuming proper due diligence, and actually save the State in overall Medicaid payments by providing cost-efficient primary care to those who need it the most. **Therefore, we support HB 2547 and urge the Committee to do the same.**

Thank you for your time.

Douglas Stuckey, Chief Financial Officer
Community Health Center of Southeast Kansas
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Pittsburg, KS 66762
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dstuckey@chcsek.org