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Comments submitted electronically to:

<https://www.federalreserve.gov/apps/contactus/feedback.aspx?refurl=%2FmainLending%2F>

RE: Comments to Federal Reserve re: Proposed Parameters for Main Street Loans for Non-Profits

To Whom It May Concern:

Thank you for the opportunity to provide comment on the Proposed Parameters for Main Street Loans for Non-Profits. I write on behalf of Bi-State Primary Care Association and our members. We appreciate the Federal Reserve's efforts to expand Main Street Loans to non-profit organizations like our members. However, according to the Term Sheet, it appears that none of our FQHC members would qualify for these loans. As discussed below, we request that the loan terms be revised to enable the majority of FQHCs to qualify, and that they be permitted to work with Community Development Financial Institutions (CDFIs) to access Main Street loans.

Bi-State Primary Care Association (Bi-State) is a nonpartisan, nonprofit 501(c)(3) charitable organization that promotes access to effective and affordable primary care and preventive services for all, with special emphasis on underserved populations in Vermont and New Hampshire. Bi-State's combined Vermont and New Hampshire membership includes 29 Community Health Centers¹ (CHCs) delivering primary care at 126 sites and serving over 315,000 patients. The majority of these CHCs are Federally Qualified Health Centers (FQHCs). Part of our providers' mission is to serve everyone, regardless of ability to pay, and to deliver comprehensive medical services. We provide preventive and primary care that helps achieve the best possible health outcomes and contains overall costs within the system. Access to substance misuse treatment for substances, including opioids, is critical for this work.

Bi-State's response to the COVID-19 pandemic

Bi-State is engaged in robust pandemic response providing support to our members, and education to governmental entities at the federal level, in New Hampshire, and in Vermont. Our health centers are on the front lines caring for their patients and providing evaluation and testing for the uninsured and general population. They are caring for patients using telehealth, while operating testing sites, respiratory clinics, and providing time sensitive primary care services. These non-profits are caring for the homeless and translating pandemic information into multiple languages.

Our members are increasingly relied upon by their communities to care for more uninsured and serve as a critical part of the public health infrastructure. At the same time, they have experienced a significant decline in revenue, due to the need to curtail many primary and preventive visits. Further, they do not have a full staff complement due to quarantine, school at home, and health concerns impacting the workforce. This combination has caused significant financial strain on these non-profit, community-based providers.

¹ Community Health Centers includes: 22 Federally Qualified Health Centers, 1 Federally-Quality Health Center Look-Alike, Planned Parenthood of Northern New England, Area Health Education Centers in New Hampshire and Vermont, Weeks Medical Center, and Vermont Coalition of Clinics for the Uninsured.

While many of our members, including FQHCs, have received some federal funding to support COVID-19 response. For many this is not enough to return to pre-COVID-19 operations, nor is it sufficient to prepare for the increased demand as more newly-unemployed, uninsured, and underinsured individuals turn to them for care. Additionally, it is unclear how long the pandemic will last, which provides significant financial uncertainty.

Recommendation 1: Expand eligibility criteria to allow majority of FQHCs to qualify

Given these financial needs, Bi-State is hopeful that the Main Street Loans for Non-Profits program can be used by our members, including FQHCs. After reviewing the proposed Terms Sheet and consulting with experts, we have concluded that almost no FQHCs would qualify under the proposed eligibility criteria.

Recent analysis conducted by Capital Link, a non-profit organization that receives funding from the Federal Department of Health and Human Services to assist FQHCs with accessing capital, determined that the proposed lending parameters limit FQHC eligibility:

- Prior to the pandemic, only 13% of health centers would have met the combined criteria. This includes less than one in five of the FQHCs with over 500 staff, who are currently ineligible for the Paycheck Protection Program. We have two such health centers in Vermont.
- Because of the significant cash declines experienced by FQHCs as a result of COVID-19, at present, far fewer than 13% would be able to meet the days cash on hand and Cash/Debt ratio at loan origination.

The most problematic financial parameters for FQHCs are:

- EBIDA to unrestricted 2019 operating revenue greater than or equal to 5%.
- Days cash on hand at loan origination equal to or greater than 90 days.
- Ratio of unrestricted cash and investments to outstanding debt (including Main Street debt and CMS Accelerated and Advance Payments) at origination is 65% or greater.

With the following simple modifications, the program could be viable for approximately 60% of FQHCs. We request that the Federal Reserve adjust the following lending parameters for FQHC loans as follows:

- EBIDA to unrestricted 2019 operating revenue greater than or equal to 3%.
- Days cash on hand at loan origination equal to or greater than 30 days.
- Eliminate the unrestricted cash to debt ratio requirement.
- Lower the minimum employee requirement to 20.

We also ask that the Federal Reserve clarify the eligibility requirement that reads: “has not received *specific support* pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).” As you know, Section 4003 of Title IV authorizes the Federal government to make loans to States and municipalities for COVID-19 relief. It is possible that a state or municipality could receive a loan under Section 4003, and use part of it to support FQHCs or other safety net providers. To make clear that FQHCs or other providers who receive this type of support from their state are still eligible for Main Street Loans, we recommend that the term “specific support” be revised to read “direct support.”

Request to work directly with CDFIs to access Main Street Loans

Community Development Financial Institutions (CDFIs) have historically played a major role in providing financing to non-profits and especially FQHCs. As such, they understand the FQHC model and are best positioned to underwrite loans to health centers. A coalition of 25 CDFIs who are members of the Lenders Coalition for Community Health Centers have collectively provided more than \$2.1 billion in loans to FQHCs, with a default rate of less than 1/10th of 1%.

Our review indicates that very few CDFIs would qualify as eligible lenders under the program as it is currently construed. We recommend that the Federal Reserve structure the non-profit portion of the Main Street Loans Program to:

- Allow CDFIs to participate as lenders in the program; and
- Allow CDFIs to borrow from the Federal Reserve under the same terms as banks, which would enable CDFIs to offer interest rates to FQHCs at LIBOR +3%

Several of our FQHCs have worked closely with CDFIs and other commercial lenders to support services and physical plant to meet the needs of their communities. These lenders understand the unique structure of FQHCs and their strong mission as community-based providers of primary health care services.

We welcome the opportunity to provide additional information to assist the Federal Reserve in developing a program that will be responsive to the current needs of Federally Qualified Health Centers. If you have any questions, please contact Georgia Maheras at gmaheras@bistatepca.org or 802-229-0002, ext. 218. Thank you for your consideration.

Sincerely,

Tess Stack Kuenning, CNS, MS, RN
President and Chief Executive Officer
Bi-State Primary Care Association