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Community health centers at risk for widespread closures, layoffs

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International Community Health Services was among the first community health systems to be impacted by the outbreak of Covid-19, the illness caused by the coronavirus.

Its Bellevue center, in close proximity to the Kirkland Life Care Center where Washington's outbreak began at the end of February, had positive cases as of Feb. 21, ICHS CEO Teresita Batayola told the Business Journal.

"Word spread in the communities that we serve that there were positive cases here so our visits plummeted immediately," she said.

The nonprofit, which like all community health centers serve low-income populations who largely rely on Medicaid or Medicare coverage, has seen a drop in services as much as 70%.

ICHS has 11 clinics throughout the Seattle area that provide medical, dental and behavioral health services, and two school sites in Bellevue and Seattle.

Last year, ICHS recorded \$50 million in revenue. Batayola projects the community health center will lose \$10.8 million by the end of July due to the drop in visits, Gov. Jay Inslee's restrictions on non-emergency dental services and increased costs for personal protective equipment, which have already cost ICHS \$40,000.

State community health centers, which serve 1.2 million people annually, are expected to lose \$473 million in the next six months, according to a study commissioned by the Washington Association for Community Health. The study also predicts that 167 clinics out of 350 sites will close resulting in 8,000 layoffs over the next six months.

"Losing these incredible safety net clinics for low-income patients is unthinkable," Bob Marsalli, CEO of The Washington Association for Community Health, said in a press release. "With more unemployed Washingtonians, demand for their services will only increase in the foreseeable future. Community health centers provide care to patients regardless of their ability to pay, but cannot survive to protect patients and communities without additional emergency funding from both the state and federal government."

ICHS did receive \$1.3 million through the Coronavirus Aid, Relief and Economic Security (CARES) Act, but it does not cover all of the nonprofit's operating losses, Batayola said.

"We can use it for our current staff who are doing (Covid-related work) and for supplies," and to fund the nonprofit's Covid-19 testing sites, "but we can't use it to just fill our deficit," Batayola said. "There's an effort nationally by community health center to be part of the package in a much bigger way to help fund some of our losses so that community health centers can stay open."

Michael Erikson, CEO of Seattle-based NeighborCare Health, also saw "dramatic drops" in services when Covid-19 hit the region and state restrictions shut down schools and most dental practices, he said.

NeighborCare has nearly 30 clinics throughout Seattle and embedded within schools. In 2018, it brought in around \$82 million in revenue.



Covid-19 concerns and government restrictions have led to a drop in dental services being offered, contributing to a dramatic loss in revenue for community health centers.

In April, NeighborCare's dental offices were expecting to serve nearly 7,700 patients. It only saw 830 patients, Erikson said. On the medical side, NeighborCare expected to serve 11,300 patients but it only saw 8,387, he added.

Erikson estimates that the community health clinic lost \$1.3 million in March and \$2.5 million in April.

Through the CARES Act, NeighborCare did receive \$2.1 million. Additionally, it received \$1.4 million from the Centers for Medicaid and Medicare Services. Like ICHS, "it's not enough," Erikson said.

"It's not enough because the rate of loss is still continuing and these are one-time helps," he said. "Until we are fully open, until we're fully providing dental — and now school is going to conclude until the fall — until we're fully up and running again, we can expect to continue to have losses month over month."

Erikson estimates \$7 million in losses by the end of the year.

"I've been in health care for 30 years. I've never seen a shock like this and the cruel tragedy of a health care crisis becoming a financial crisis," Erikson said.

Relying on reserves, NeighborCare is struggling to keep up with the revenue bleed. Erikson has had to put 30% of his 700 employees on standby.

"We're trying to preserve jobs right now," he said. Whenever I have to put people on standby and that increases their own personal insecurity, that's very painful. It's very difficult to do as a leader. It's unexpected. It weighs very heavily on me."

In anticipation of Inslee opening up dental services, NeighborCare is beginning to think about what steps it would need to take to open its dental clinics, but volumes won't return all at once.

"It isn't going to be flipping the switch, going from 800 patients to 7,000. It's going to be a slow turning of the dial," Erikson said.

While NeighborCare isn't at risk of closing in the next few months, Erikson said, he is worried others will.

"Without continued intervention and help and support, we will see fewer community health centers across the state of Washington in 2021 than we have in 2020," he said.

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