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FQHCs Feel the Pressure as They Evolve Into Business-minded Organizations

A new Sage Growth Partners survey reveals that FQHC competition is on the rise; only one-third of CEOs believe they have the right leadership team at the table

Baltimore, MD – September 12, 2017 – [Sage Growth Partners](#) (SGP), a Baltimore-based healthcare research, strategy, and marketing firm, today announced survey findings that highlight the challenges faced by CEOs of federally qualified health centers (FQHCs). These community-based healthcare organizations provide comprehensive primary and preventative care to 24 million patients in the U.S., regardless of their health insurance status or ability to pay. The 175 CEOs who responded to the survey represent 13% of all FQHCs.

This survey is the first of its kind to provide baseline metrics on key performance areas and attitudes for FQHCs – critical information in a challenging and changing healthcare market. Access the executive summary of the survey results [here](#).

Key survey findings include:

Financial sophistication still lies ahead

- More than half of FQHCs find revenue diversification (53%) and financial sustainability (56%) to be moderately or extremely challenging.
- Profit is the least tracked metric for FQHCs as a measurement of organizational growth, coming in fourth behind patient growth, visit growth, and operating margin.

FQHCs are starting to consider alternative payment models

- Almost a quarter (22%) of FQHCs say they could move to value-based reimbursement in less than six months if a major payer changed its reimbursement model. Sixty-eight percent say it would take 7-24 months, and 10% say it would take more than 24 months.
- FQHC leaders are experiencing a continued downward trend for fee-for-service, and an upward trend for alternative payment models.

Q: What payment methods or reimbursement types do you / will you receive or participate in, for each of the three years listed?

	Fee-for-service	Pay for performance	Bundled payments	Episode/care-based payments	Full capitation
2014	96%	54%	57%	73%	49%
2016	92%	84%	70%	80%	57%
2018	67%	79%	70%	82%	83%
Respondents	165	121	67	55	35

CEOs are not confident that the right leadership team is at the table

- Fewer than two in five CEOs (38%) believe the large majority of their current leadership (75% or more) will adequately serve the needs of their organization over the next three to five years.
- More than two-thirds (68%) report finding the right leadership to be moderately or extremely challenging.

Competition is coming from all sides

- Sixty-one percent of FQHCs believe competition is on the rise in the next 12 months.
- Almost half (46%) cite other FQHCs as a source of competition.
- Just over half (57%) are measuring patient retention – a critical yardstick for assessing attrition rate in the face of rising competition.

Partnerships are positive, but opportunities are being left on the table

- FQHCs feel positively about their relationships with hospital/health system partners, with only seven percent reporting a negative relationship.
- While many FQHCs use these relationships for referrals (79%) and community health needs assessments (49%), far fewer report deeper relationships extending to physician recruitment (21%), IT services (17%), training (15%), or co-location (13%).

Marketing is immature

- Sixty-two percent of respondents say marketing is extremely important to achieving their organization’s growth goals. Yet less than one-quarter (23%) report having a fully implemented marketing plan.
- Twenty-five percent of large FQHCs who report not having a marketing plan also report that they find financial sustainability extremely challenging.

“FQHCs provide extremely important services for underserved communities, but they are also businesses that need to keep pace with the healthcare industry at large,” said David Sheehy, SGP Chief Operating Officer, and Chairman of the Board at Baltimore Medical System, the largest FQHC system in Maryland. “It’s clear that FQHCs are facing unprecedented changes and pressures. As traditional protections erode and new payment models gain traction, FQHCs are working to define their identity as true market leaders. These survey results show an opportunity for FQHC leaders to assess their organizations and become agents for change.”

“In the FQHC world, there are always going to be people who say, ‘We’ve always done it this way, we don’t need to change. We’re serving our community in a way nobody else can,’” said Katy Caldwell, CEO of Legacy Community Health, a FQHC in Houston, TX. “But the reality is that other health organizations can and will serve your community if you aren’t running your FQHC like a business. Mission will always be a part of that. But we can’t serve the mission if we don’t have margin.”

“To our knowledge, this groundbreaking survey is the first of its kind to extensively explore the healthcare trends affecting FQHCs in today’s ever-shifting healthcare landscape,” said Chris DeMarco, Ph.D., SGP Senior Vice President and General Manager of Research and Market Insights. “FQHCs are a significant segment of the healthcare industry and are essential to the communities they serve. Having worked with more than 40 FQHCs across the country, we saw it as critical to explore the current state of FQHCs and the challenges they face now, and in the future. With the depth of knowledge we have on our research and market insights team, we are uniquely positioned to conduct in-depth research like this on the business of healthcare.”

Download the executive summary [here](#).

Methodology

The survey was distributed to CEOs of FQHCs across the U.S. and its territories. The 175 respondents represent FQHCs from the continental U.S., Puerto Rico, Micronesia, and the U.S. Virgin Islands. Responses were collected from November 2016 through early December 2016.

About FQHCs

As defined by HRSA, “FQHCs are community-based health care providers that receive funds from the HRSA Health Center Program to provide primary care services in underserved areas. They must meet a stringent set of requirements, including providing care on a sliding fee scale based on ability to pay and operating under a governing board that includes patients.”

Approximately one in 14 people in the U.S. receive services through the nation’s 1,375 FQHCs and their nearly 10,000 healthcare delivery sites. However, little information exists on these centers, their leaders, and the trends affecting them. With this survey, Sage Growth Partners aims to fill the knowledge gap by identifying and commenting on the healthcare trends and market forces impacting FQHCs.

About Sage Growth Partners

Sage Growth Partners accelerates commercial success for healthcare organizations through a singular focus on growth. The company helps its clients thrive amid the complexities of a rapidly changing marketplace with deep domain expertise and an integrated application of research, strategy, and marketing.

Founded in 2005, Sage Growth Partners is located in Baltimore, MD and serves clients such as GE Healthcare, Philips Healthcare, The Healthcare Association of New York State, Healogics, Quest Diagnostics, Qlik, and Legacy Community Health. Visit us online at www.sage-growth.com.