

GAO

Testimony

Before the Committee on Oversight and
Government Reform, U.S. House of
Representatives

For Release on Delivery
Expected at 10:00 a.m. EST
Thursday, December 3, 2009

HURRICANE KATRINA

Federal Grants Have Helped Health Care Organizations Provide Primary Care, but Sustaining Services Will Be a Challenge

Statement of Cynthia A. Bascetta
Director, Health Care



GAO

Accountability * Integrity * Reliability



Highlights of [GAO-10-273T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The greater New Orleans area—Jefferson, Orleans, Plaquemines, and St. Bernard parishes—continues to face challenges in restoring health care services disrupted by Hurricane Katrina which made landfall in August 2005. In 2007, the Department of Health and Human Services (HHS) awarded the \$100 million Primary Care Access and Stabilization Grant (PCASG) to Louisiana to help restore primary care services to the low-income population. Louisiana gave PCASG funds to 25 outpatient provider organizations in the greater New Orleans area. GAO was asked to testify on (1) how PCASG fund recipients used the PCASG funds, (2) how recipients used and benefited from other federal hurricane relief funds, and (3) challenges recipients faced and recipients' plans for sustaining services after PCASG funds are no longer available.

This statement is based on a recent GAO report, *Hurricane Katrina: Federal Grants Have Helped Health Care Organizations Provide Primary Care, but Challenges Remain* ([GAO-09-588](#)), other GAO work, and updated information on services, funding, and sustainability plans, which we shared with HHS officials. For the report, GAO analyzed responses to an October 2008 survey sent to all 25 PCASG fund recipients, to which 23 responded, and analyzed information related to other federal funds received by PCASG fund recipients. GAO also interviewed HHS and Louisiana Department of Health and Hospitals officials and other experts.

[View GAO-10-273T](#) or [key components](#). For more information, contact Cynthia A. Bascetta at (202) 512-7114 or bascettac@gao.gov.

HURRICANE KATRINA

Federal Grants Have Helped Health Care Organizations Provide Primary Care, but Sustaining Services Will Be a Challenge

What GAO Found

PCASG fund recipients reported in 2008 that they used PCASG funds to hire or retain health care providers and other staff, add primary care services, and open new sites. For example, 20 of the 23 recipients that responded to the GAO survey reported using PCASG funds to hire health care providers, and 17 reported using PCASG funds to retain health care providers. In addition, most of the recipients reported that they used PCASG funds to add primary care services and to add or renovate sites. Recipients also reported that the grant requirements and funding helped them improve service delivery and expand access to care in underserved neighborhoods. As of September 2009, recipients used PCASG funds to support services for almost 252,000 patients, who had over 1 million interactions with a health care provider.

Other federal hurricane relief funds helped PCASG fund recipients pay staff, purchase equipment, and expand mental health services to help restore primary care. According to data from the Louisiana Department of Health and Hospitals, 11 recipients received HHS Social Services Block Grant (SSBG) supplemental funds designated by Louisiana for primary care, and 2 received SSBG supplemental funds designated by Louisiana specifically for mental health care. The funds designated for primary care were used to pay staff and purchase equipment, and the funds designated for mental health care were used to provide a range of services including crisis intervention and substance abuse prevention and treatment. Most of the PCASG fund recipients benefited from the Professional Workforce Supply Grant incentives. These recipients hired or retained 69 health care providers who received incentives totaling over \$4 million to work in the greater New Orleans area.

PCASG fund recipients face multiple challenges and have various plans for sustainability. Recipients face significant challenges in hiring and retaining staff, as well as in referring patients outside of their organizations, and these challenges have grown since Hurricane Katrina. For example, 20 of 23 recipients that responded to the 2008 GAO survey reported hiring health care providers was a great or moderate challenge, and over three-quarters of these 20 recipients reported that this challenge had grown since Hurricane Katrina. PCASG fund recipients also reported challenges in referring patients outside their organization for mental health, dental, and specialty care services. Although all PCASG fund recipients have completed or planned actions to increase their ability to be sustainable, recipients are concerned about what will happen when PCASG funds are no longer available. Officials of the Louisiana Public Health Institute, which administers the PCASG locally, expect that some recipients might have to close and others could be forced to scale back capacity by as much as 30 or 40 percent. They have suggested strategies to decrease what they estimate would be a \$30 million gap in annual revenues when PCASG funds are no longer available. With the availability of PCASG funds scheduled to end in less than 10 months, preventing disruptions in the delivery of primary care services could depend on quickly identifying and implementing workable sustainability strategies.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss primary health care services in the greater New Orleans area. My testimony is based primarily on our July 2009 report entitled *Hurricane Katrina: Federal Grants Have Helped Health Care Organizations Provide Primary Care, but Challenges Remain*.¹ More than 4 years after Hurricane Katrina made landfall on August 29, 2005, the greater New Orleans area continues to face challenges in restoring health care services disrupted by the storm. Before the hurricane, most health care for the low-income and uninsured population in the area was provided in emergency rooms and outpatient clinics at Charity and University hospitals, which were part of the statewide Louisiana State University (LSU) public hospital system. About half of the hospitals' patients were uninsured, and about one-third were covered by Medicaid. Following the hurricane and the subsequent flooding, the hospitals and clinics closed because of the significant damage they had sustained. In November 2006, LSU reopened University Hospital under its new, temporary name, Interim LSU Public Hospital, which is operating at a lower capacity than Charity's and University's pre-Katrina capacity; Charity Hospital remains closed. While health care provider organizations in the area were able to reopen some health care clinics, gaps in the availability of primary care services² in the greater New Orleans area remained.

To help address the continuing health care needs of low-income area residents, the Department of Health and Human Services (HHS) awarded the \$100 million Primary Care Access and Stabilization Grant (PCASG) to the Louisiana Department of Health and Hospitals (LDHH) in July 2007.³

¹See GAO, *Hurricane Katrina: Federal Grants Have Helped Health Care Organizations Provide Primary Care, but Challenges Remain*, [GAO-09-588](#) (Washington, D.C.: July 13, 2009). In this statement we follow the Centers for Medicare & Medicaid Services' definition of the greater New Orleans area—Jefferson, Orleans, Plaquemines, and St. Bernard parishes—which is used by the program at the center of this statement, the Primary Care Access and Stabilization Grant.

²In this statement, we define primary care as basic medical care that is generally provided in an outpatient setting such as a clinic or general practitioner's office, as opposed to in a hospital.

³This grant was made under a provision of the Deficit Reduction Act of 2005 authorizing payments to restore access to health care in communities affected by Hurricane Katrina. Pub. L. No. 109-171, § 6201(a)(4), 120 Stat. 4, 133 (2006). Notice of Single Source Grant Award, 72 *Fed. Reg.* 51,230 (Sept. 6, 2007).

The grant is administered at the federal level by HHS's Centers for Medicare & Medicaid Services (CMS) and at the local level by the Louisiana Public Health Institute (LPHI), the local partner of LDHH. The PCASG is intended to restore and expand access to primary care services, including mental health care services⁴ and dental care services, without regard to a patient's ability to pay, and to decrease costly reliance on emergency room use for primary care services for patients who are uninsured, underinsured, or covered by Medicaid.⁵ In addition to primary care services, PCASG fund recipients can use grant funds to provide specialty care, such as cardiology and podiatry services, and ancillary services, including supporting services such as translation, transportation, and outreach. LDHH provided funds to 25 outpatient provider organizations, which we refer to as PCASG fund recipients. As of March 20, 2008, the recipients were operating 75 sites that were eligible to use PCASG funds.⁶ For an organization to be eligible for PCASG funding, it must have been a public or private nonprofit organization serving patients in the greater New Orleans area at the time that Louisiana's grant proposal was submitted. It must also have had the intent to be sustainable, that is, able to continue providing primary care after PCASG funds are no longer available.⁷ The PCASG was given only to the state of Louisiana. PCASG funds were made available to Louisiana for a 3-year period, from July 23, 2007, through September 30, 2010. As of June 22, 2009, PCASG fund recipients had received more than \$80 million in PCASG funds.

Since the disruption to the health care system caused by the hurricane, several HHS agencies have awarded other grants that facilitate access to primary care. However, like the PCASG funding, much of the funding is temporary. HHS's Administration for Children and Families provided Social Services Block Grant (SSBG) supplemental funds to Louisiana,

⁴In this statement, we define mental health care services to include substance abuse prevention and treatment services.

⁵Medicaid is a federal-state health insurance program for certain low-income individuals.

⁶March 20, 2008, was the end date of the first period for which recipients of PCASG funds reported data on their activities to LPHI. In this statement, we describe the data for this period at the recipient level. As of September 20, 2009, the 25 PCASG fund recipients were operating 93 sites that were eligible to use those funds.

⁷For the PCASG, CMS defines sustainability as the ability to continue to provide primary care to all patients (regardless of their ability to pay) through some funding mechanism other than the PCASG funds, such as enrolling as a provider in Medicaid or another public or private insurer.

which subsequently dedicated a portion specifically for health care services, including mental health care.⁸ The Secretary of HHS awarded Professional Workforce Supply Grant funds to reduce shortages in the professional health care workforce. The funds were distributed as financial incentives to eligible health care providers; eligibility requirements included agreeing to serve Medicare, Medicaid, and uninsured patients.⁹ Grants from the Health Center Program of HHS's Health Resources and Services Administration (HRSA) were also available during this time to certain organizations providing primary care services. Under Section 330 of the Public Health Service Act, HRSA provides grants to health centers nationwide to increase access to primary care, using a competitive process to award grants. All health center grantees are Federally Qualified Health Centers (FQHC), which enjoy certain federal benefits such as enhanced Medicare and Medicaid payment rates. However, not all FQHCs receive Health Center Program grants, and those that do not are sometimes referred to as having an FQHC Look-Alike designation. Four health center grantees served the greater New Orleans area at the time HHS awarded the PCASG in July 2007.

My statement today is based primarily on our July 2009 report on the PCASG, in which we examined (1) how PCASG fund recipients used the PCASG funds to support the provision of primary care services in the greater New Orleans area, (2) how PCASG fund recipients used and benefited from other federal hurricane relief funds that support the restoration of primary care services in the greater New Orleans area, and (3) challenges the PCASG fund recipients continued to face in providing primary care services, and recipients' plans for sustaining services after PCASG funds are no longer available. In addition, we updated selected information from our 2009 PCASG report and relied on other related GAO work.

⁸To help respond to the short-term crisis counseling needs, the greater New Orleans area also received federal Crisis Counseling Assistance and Training Program funds. See GAO, *Catastrophic Disasters: Federal Efforts Help States Prepare for and Respond to Psychological Consequences, but FEMA's Crisis Counseling Program Needs Improvements*, GAO-08-22 (Washington, D.C.: Feb. 29, 2008).

⁹Financial incentive payments could be given to health care providers who remained in their qualifying job or to newly hired health care providers; individuals may receive only one financial incentive payment.

To do the work for our July 2009 report on how federal grants helped support primary care, we conducted site visits at 8 of the 25 PCASG fund recipients during April 2008, during which we collected documents and interviewed PCASG fund recipient, state, and local officials. Based in part on information we gathered during the site visits, we developed a Web-based survey that focused on how recipients used PCASG funds, the challenges they continued to face, and their plans for sustainability. We administered the survey in October 2008. We received responses from 23 of the 25 recipients, a response rate of 92 percent. We also reviewed and analyzed data from LDHH on expenditures related to the supplemental SSBG and on awards made under CMS's Professional Workforce Supply Grant Program, reviewed the recipients' applications for PCASG funding and their plans for sustainability, and interviewed officials at LDHH and PCASG fund recipients about how the recipients used PCASG and other federal funds. We conducted the work for our July 2009 report from February 2008 through June 2009. To update the work on the PCASG, we interviewed state, LPHI, and PCASG fund recipient officials about sustainability plans and reviewed and analyzed more recent data from these officials about program funding and services. We conducted this new work in October and November 2009 and shared the information we obtained with HHS officials. In addition, we incorporated findings from another July 2009 report, which examined barriers to mental health services for children in the greater New Orleans area.¹⁰ We conducted the original and updated work in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product. A detailed explanation of our methodology for each of the 2009 reports is included in the respective reports.

¹⁰GAO, *Hurricane Katrina: Barriers to Mental Health Services for Children Persist in Greater New Orleans, Although Federal Grants Are Helping to Address Them*, [GAO-09-563](#) (Washington, D.C.: July 13, 2009).

PCASG Fund Recipients Used PCASG Funds to Support Primary Care Services by Hiring Health Care Providers and Other Staff and Adding Services and Sites

PCASG fund recipients that responded to our October 2008 survey reported that they used PCASG funds to hire or retain health care providers and other staff, add primary care services, and open new sites. (See table 1.) Recipients also said that the PCASG funds helped them improve service delivery and access to care for the patients they served. As of September 20, 2009, PCASG recipients reported to LPHI that they had used PCASG funds—in conjunction with other funds, such as other federal grants and Medicaid reimbursement—to support services provided to almost 252,000 patients. These patients had over 1 million encounters with a health care provider, two-thirds of which were for medical and dental care and one-third of which were for mental health care.¹¹ A small number of encounters were for specialty care. The patients served by the PCASG fund recipients were typically uninsured or enrolled in Medicaid. We reported in July 2009 that for the first several months during which PCASG funds were available, at more than half of the PCASG fund recipients, at least half—and at times over 70 percent—of the patient population was uninsured.

Table 1: Number of Primary Care Access and Stabilization Grant (PCASG) Fund Recipients That Used PCASG Funds to Hire or Retain Staff, Expand Services, or Open or Renovate Sites, as of October 28, 2008

Actions taken with PCASG funds	Number of PCASG fund recipients taking action
Hired health care providers	20
Hired other staff	18
Retained health care providers	17
Retained other staff	15
Added or expanded primary care services	19
Opened new or relocated sites	15
Renovated existing sites	10

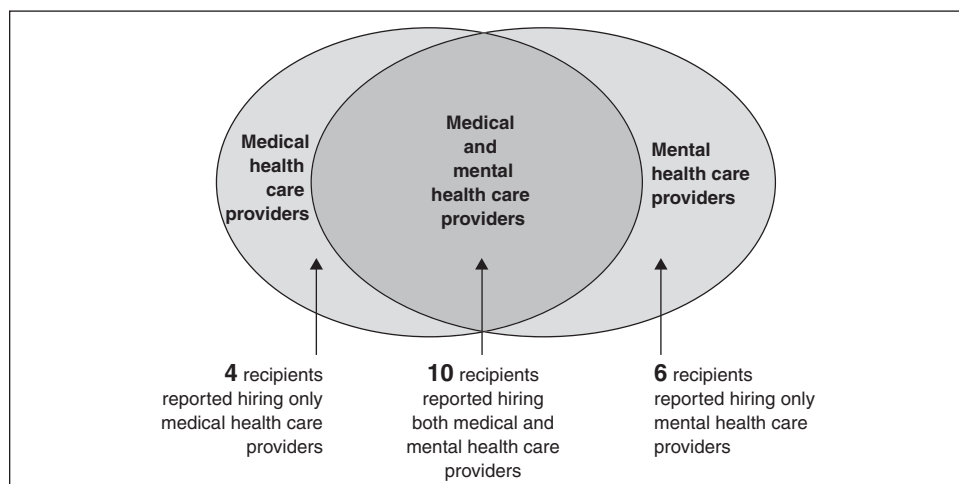
Source: GAO analysis of PCASG fund recipients' responses to GAO's Web-based survey.

Note: The data in the table are based on the responses of the 23 recipients that responded to GAO's Web-based survey. Recipients may have hired or retained more than one type of staff and added or expanded more than one type of service.

¹¹An encounter is an interaction between a patient and a provider for the purposes of meeting a health care need. It can occur by telephone or in person.

Of the 20 recipients that reported in our October 2008 survey that they used PCASG funds to hire health care providers, half hired both medical and mental health providers. (See fig. 1.) One recipient reported that by hiring one psychiatrist, it could significantly increase clients' access to services by cutting down a clinic's waiting list and by providing clients with a "same-day" psychiatric consultation or evaluation. Another recipient reported that it hired 23 medical care providers, some of whom were staffed at its new sites. Some recipients reported that hiring additional providers enabled them to expand the hours some of their sites were open.

Figure 1: Number of Primary Care Access and Stabilization Grant (PCASG) Fund Recipients That Used PCASG Funds to Hire Health Care Providers, as of October 28, 2008



Source: GAO analysis of PCASG fund recipients' responses to GAO's Web-based survey.

Note: The data in the figure are based on the responses of the 23 recipients that responded to GAO's Web-based survey.

Of the 23 recipients that responded to our survey, 17 reported they used PCASG funds to retain health care providers, and 15 of these reported that they also used grant funds to retain other staff. For example, one recipient reported that PCASG funds were used to stabilize positions that were previously supported by disaster relief funds and donated services.

Nineteen of the 23 PCASG fund recipients that responded to our survey reported using PCASG funds to add or expand medical, mental health, or dental care services, and more than half of these added or expanded more than one type of service. Specifically, 11 added or expanded medical care,

15 added or expanded mental health care, and 4 added or expanded dental care services. In addition, PCASG fund recipients also reported using grant funds to add or expand specialty care or ancillary services. One recipient reported that it used PCASG funds to create a television commercial announcing that a clinic was open and that psychiatric services were available there, including free care for those who qualified financially.

Almost all of the PCASG fund recipients that responded to our survey reported they used PCASG funds for their physical space. Ten recipients that responded to our survey reported using grant funds to renovate existing sites, such as expanding a waiting room, adding a registration window, and adding patient restrooms, to accommodate more patients. Officials from one PCASG fund recipient reported that relocating to a larger site allowed providers to have additional examination rooms.

PCASG fund recipients that responded to our survey reported that certain program requirements—such as developing a network of local specialists and hospitals for patient referrals and establishing a quality assurance and improvement program that includes clinical guidelines or evidence-based standards of care—have had a positive effect on their delivery of primary care services. In addition, they reported that the PCASG funds helped them improve access to health care services for residents of the greater New Orleans area. For example, one PCASG fund recipient reported that the PCASG funds have helped it to expand services beyond residents in shelter and housing programs to include community residents who were not homeless but previously lacked access to health care services. Representatives of other PCASG fund recipients have reported that their organization improved access to care by expanding services in medically underserved neighborhoods or to people who were uninsured or underinsured. Representatives of local organizations also told us the PCASG provided an opportunity to rebuild the health care system and shift the provision of primary care from hospitals to community-based primary care clinics.

Other Federal Hurricane Relief Funds Helped PCASG Fund Recipients to Pay Staff, Purchase Equipment, and Expand Mental Health Services to Help Restore Primary Care

PCASG fund recipients also used other federal hurricane relief funds to help support the restoration of primary care services. According to LDHH data, as of August 2008, 11 PCASG fund recipients expended \$12.9 million of the SSBG supplemental funds that were awarded to Louisiana and that the state designated for primary care.¹² They used these funds to pay for staff salaries, purchase medical equipment, and support operations. For example, one recipient used SSBG supplemental funds to hire new medical and support staff and, as a result, expanded its services for mammography, cardiology, and mental health. The two PCASG fund recipients that received a total of almost \$12 million in SSBG supplemental funds designated for mental health care used those funds to provide crisis intervention, substance abuse, and other mental health services, mostly through contracts to other organizations and providers.¹³ The majority of funds were expended on the categories LDHH identified as “substance abuse treatment and prevention services,” “immediate intervention and crisis response services,” and “behavioral health services for children and adolescents.”¹⁴

As of August 2008, most of the 25 PCASG fund recipients had retained or hired a health care provider who had received a Professional Workforce Supply Grant incentive payment to continue or begin working in the greater New Orleans area.¹⁵ Among the health care providers working for PCASG fund recipients, 69 received incentives that totaled \$4.5 million. The number of those health care providers who were employed by individual PCASG fund recipients ranged from 1 or 2 at 7 recipient organizations to 10 at 2 recipient organizations. Three-quarters of recipients of incentive payments were existing employees who were retained, while one-quarter were newly hired.

¹²The SSBG supplemental funds were distributed before organizations received PCASG funds. Dollar amounts reflect funds expended by PCASG fund recipients at sites where they later used PCASG funds.

¹³None of the contracts were awarded to other PCASG fund recipients.

¹⁴Behavioral health is a term often used to refer to mental health and substance abuse services.

¹⁵In discussing the incentive payments made from Professional Workforce Supply Grant funds, the information we provide about the 25 PCASG fund recipients is based on the more than 80 sites that were also eligible to use PCASG funds as of August 2008. Additional health care providers who have received incentives may be employed by PCASG fund recipients, but not at sites eligible to use PCASG funds.

PCASG Fund Recipients Face Multiple Challenges and Have Various Plans for Sustainability

PCASG fund recipients face significant challenges in hiring and retaining staff, as well as in referring patients outside of their organizations, and these challenges have grown since Hurricane Katrina. Recipients are taking actions to address the challenge of sustainability, but are concerned about what will happen when PCASG funds are no longer available.

PCASG Fund Recipients Face Significant Staffing and Referral Challenges, and These Challenges Have Grown Since Hurricane Katrina

Although most of the 23 PCASG fund recipients that responded to our October 2008 survey hired or retained staff with grant funds, most have continued to face significant challenges in hiring and retaining staff. Twenty of the 23 recipients reported the hiring of health care providers to be either a great or moderate challenge. Among those, over three-quarters responded that this challenge had grown since Hurricane Katrina. For example, in discussing challenges, officials from one recipient organization told us that after Hurricane Katrina they had greater difficulty hiring licensed nurses than before the hurricane and that most nurses were being recruited by hospitals, where the pay was higher. Moreover, officials we interviewed from several recipient organizations said that the problems with housing, schools, and overall community infrastructure that developed after Hurricane Katrina made it difficult to attract health care providers and other staff. In addition, 16 of the 23 recipients reported that retaining health care providers was a great or moderate challenge. Among those, about three-quarters also reported that this challenge had grown since Hurricane Katrina.

An additional indication of the limited availability of primary care providers in the area is HRSA's designation of much of the greater New Orleans area as health professional shortage areas (HPSA) for primary care, mental health care, and dental care.¹⁶ Specifically, HRSA designated all of Orleans, Plaquemines, and St. Bernard parishes, and much of Jefferson Parish, as HPSAs for primary care. While some portions of the greater New Orleans area had this HPSA designation before Hurricane Katrina, additional portions of the area received that designation after the hurricane. Similarly, HRSA designated all four parishes of the greater New Orleans area as HPSAs for mental health in late 2005 and early 2006;

¹⁶HPSAs are used to identify geographic areas, population groups, or facilities facing a shortage of primary care, dental, or mental health providers.

before Hurricane Katrina, none of the four parishes had this designation for mental health. In addition, HRSA has designated all of Orleans, St. Bernard, and Plaquemines parishes and part of Jefferson Parish as HPSAs for dental care; before Katrina, only parts of Orleans and Jefferson parishes had this designation.

The PCASG fund recipients that primarily provide mental health services in particular faced challenges both in hiring and in retaining providers. Six of the seven that responded to our October 2008 survey reported that both hiring and retaining providers were either a great or moderate challenge. Officials we interviewed from one recipient told us that while the Greater New Orleans Service Corps, which was funded through the Professional Workforce Supply Grant, had been helpful for recruiting and retaining physicians, it had not helped fill the need for social workers. Furthermore, officials we interviewed from two recipients told us that some staff had experienced depression and trauma themselves and found it difficult to work in mental health settings. Beyond challenges in hiring and retaining their own providers and other staff, PCASG fund recipients that responded to our survey reported significant challenges in referring their patients to other organizations for mental health, dental, and specialty care services.

We also reported on a lack of mental health providers in our July 2009 report that examined barriers to mental health services for children in the greater New Orleans area.¹⁷ Specifically, 15 of the 18 organizations we interviewed for that work identified a lack of mental health providers—including challenges recruiting and retaining child psychiatrists, psychologists, and nurses—as a barrier to providing mental health services for children. In addition, we reported that HRSA’s Area Resource File (ARF)—a county-based health resources database that contains data from many sources including the U.S. Census Bureau and the American Medical Association—indicated that the greater New Orleans area has experienced more of a decrease in mental health providers than some other parts of the country. For example, we found that ARF data documented a 21 percent decrease in the number of psychiatrists in the greater New Orleans area from 2004 to 2006, during which time there was a 1 percent decrease in Wayne County, Michigan (which includes Detroit and which had pre-Katrina poverty and demographic characteristics similar to those of the greater New Orleans area) and a 3 percent increase in counties nationwide.

¹⁷GAO-09-563.

PCASG Fund Recipients Are Taking Actions to Address the Challenge of Sustainability, but Are Concerned About What Will Happen When PCASG Funds Are No Longer Available

In our July 2009 report on the PCASG, we found that an additional challenge that the PCASG fund recipients face is to be sustainable after PCASG funds are no longer available in September 2010.¹⁸ All 23 recipients that responded to our October 2008 survey reported that they had taken or planned to take at least one type of action to increase their ability to be sustainable—that is, to be able to serve patients regardless of the patients' ability to pay after PCASG funds are no longer available. For example, all responding recipients reported that they had taken action—such as screening patients for eligibility—to facilitate their ability to receive reimbursement for services they provided to Medicaid or LaCHIP¹⁹ beneficiaries.²⁰ Furthermore, 16 recipients that responded to our October 2008 survey reported that they were billing private insurance, with an additional 5 recipients reporting they planned to do so. However, obtaining reimbursement for all patients who are insured may not be sufficient to ensure a recipient's sustainability, because at about half of the PCASG fund recipients, over 50 percent of the patients were uninsured.

Many PCASG fund recipients reported that they intended to use Health Center Program funding or FQHC Look-Alike designation—which allows for enhanced Medicare and Medicaid payment rates—as one of their sustainability strategies. Four recipients were participating in the Health Center Program at the time they received the initial disbursement of PCASG funds. One of these recipients had received a Health Center New Access Point²¹ grant to open an additional site after Hurricane Katrina and had also received an Expanded Medical Capacity²² grant to increase service capacity, which it used in part to hire additional staff and buy equipment. Another of these recipients received a New Access Point grant to open an additional site after receiving PCASG funds. Beyond these four

¹⁸ [GAO-09-588](#).

¹⁹ LaCHIP is the name of Louisiana's Children's Health Insurance Program. The Children's Health Insurance Program is a federal-state health insurance program that offers insurance to certain children under age 19 whose family income is too high for Medicaid eligibility and who are not enrolled under other health insurance.

²⁰ From September 2007 to September 2009, there was a 20 percent increase in the number of PCASG recipients' clinics that billed Medicaid, according to data from LPHL.

²¹ New Access Point grants are for new grantees or for existing grantees to establish additional sites.

²² Expanded Medical Capacity grants support increased service capacity, such as by expanding operating hours.

recipients, one additional recipient received an FQHC Look-Alike designation in July 2008.

HRSA made additional grants from appropriations made available by the American Recovery and Reinvestment Act of 2009, awarding five PCASG fund recipients with additional Health Center Program grants totaling \$7.4 million as of October 19, 2009.²³ Specifically, three PCASG fund recipients were awarded New Access Point grants totaling \$3.9 million,²⁴ five received Capital Improvement Program grants totaling more than \$2.4 million,²⁵ and five received Increased Demand for Services grants totaling nearly \$1.1 million.²⁶

Of the remaining 18 recipients that responded to our survey, 6 said they planned to apply for both a Health Center Program grant and an FQHC Look-Alike designation. In addition, one planned to apply for a grant only and another planned to apply for an FQHC Look-Alike designation only. Although many recipients indicated that they intended to use Health Center Program funding as a sustainability strategy, it is unlikely that they would all be successful in obtaining a grant. For example, in fiscal year 2008 only about 16 percent of all applications for New Access Point grants resulted in grant awards.

About three-quarters of PCASG fund recipients reported that as one of their sustainability strategies they had applied or planned to apply for additional federal funding, such as Ryan White HIV/AIDS Program grants,²⁷

²³The American Recovery and Reinvestment Act of 2009 provided HRSA with \$2 billion for the Health Center Program (Pub. L. No. 111-5, div. A, title VIII, 123 Stat. 115, 175).

²⁴One of the three PCASG fund recipients that were awarded New Access Point grants was the one that received Look-Alike designation in 2008; the other two were existing grantees.

²⁵Capital Improvement Program grants are limited-competition awards designed to address capital improvement needs in health centers, such as construction, repairs, renovation, and equipment purchase, including health information technology.

²⁶Increased Demand for Services grants are formula allocation awards designed to help health centers increase the number of total patients and uninsured patients served, such as by extending hours of operation, expanding existing services, adding staff, or retaining staff.

²⁷Through the Ryan White Comprehensive AIDS Resources Emergency Act of 1990 and subsequent legislation, HRSA provides federal funds to metropolitan areas, states, and others to assist with the cost of core medical and support services for individuals and families infected and affected by HIV/AIDS. See 42 U.S.C. §§ 300ff through 300ff-121.

or for state funding. In addition, a few reported that they had applied or planned to apply for private grants, such as grants from foundations.

In our fall 2009 interviews, LPHI and PCASG recipient officials told us that there is uncertainty and concern among the PCASG fund recipients as the time approaches when PCASG funding will no longer be available. LPHI officials told us that they expect that some PCASG fund recipients might have to close, and others could be forced to scale back their current capacity by as much as 30 or 40 percent. For example, one PCASG fund recipient official we spoke with in November 2009 told us that the organization's mobile medical units may not be sustainable without PCASG funding; services provided by mobile units are not eligible for Medicaid funding without a referral and collecting cash from patients could make the units targets for crime. LPHI officials said they expect that the loss of PCASG funds would most affect PCASG fund recipients that serve the largest number of uninsured patients.

To help PCASG fund recipients achieve sustainability, the LPHI developed a sustainability strategy guide in April 2009. This guide suggests actions that the recipients could take to become sustainable entities, such as maximizing revenues by improving their ability to screen patients for eligibility for Medicaid and other third party payers, enroll eligible patients, electronically bill the insurers, and collect payment from insurers.

LPHI and a PCASG fund recipient have identified additional potential approaches for securing revenues to decrease what LPHI estimated would be a \$30 million gap in the PCASG fund recipients' annual revenues when PCASG funds are no longer available. The LPHI sustainability strategy guide proposed that expanding Medicaid eligibility through a proposed Medicaid demonstration project that HHS is reviewing could result in a decrease in the number of uninsured people; these are the patients for whom PCASG fund recipients are most dependent on federal subsidies.²⁸ The LPHI guide also suggested that it could be helpful if Louisiana

²⁸States operate and administer their Medicaid programs independently within federal requirements established in statute and regulations, and the federal government shares in the cost of each state's program by paying an established share of states' reported expenditures. Under section 1115 of the Social Security Act, however, the Secretary of HHS may waive certain federal requirements for demonstrations the Secretary deems likely to promote Medicaid objectives, allowing states to apply to test and evaluate new approaches for delivering Medicaid services.

received greater flexibility to use Medicaid disproportionate share dollars for outpatient primary care not provided by hospitals.²⁹ In addition, a PCASG fund recipient official told us in November 2009 that a no-cost extension for PCASG funds might help some PCASG fund recipients if they are able to stretch their PCASG dollars beyond September 30, 2010.

Although PCASG fund recipients have completed or planned actions to increase their ability to be sustainable and have received guidance from LPHI, it is unclear which recipients' sustainability strategies will be successful and how many patients recipients will be able to continue to serve. With the availability of PCASG funds scheduled to end in less than 10 months, preventing disruption in the delivery of primary care services could depend on quickly identifying and implementing workable sustainability strategies.

Mr. Chairman, this completes my prepared remarks. I would be happy to respond to any questions you or other members of the committee may have at this time.

Contacts and Acknowledgments

For further information about this statement, please contact Cynthia A. Bascetta at (202) 512-7114 or bascettac@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Key contributors to this statement were Helene F. Toiv, Assistant Director; Carolyn Feis Korman; Deitra Lee; Coy J. Nesbitt; Roseanne Price; and Jennifer Whitworth.

²⁹Medicaid disproportionate share hospital payments provide financial assistance to hospitals that serve a large number of low-income patients, such as people with Medicaid and the uninsured. Medicaid disproportionate share hospital payments are the largest source of federal funding for uncompensated hospital care.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548