

114.5 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY  
ADMINISTRATIVE SERVICES

114.5 CMR 9.00: CRITERIA AND PROCEDURES FOR AWARDING ONE-TIME GRANTS FOR  
COMMUNITY HEALTH CENTERS

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9.01: General Provisions

- (1) Scope, Purpose, and Effective Date. 114.5 CMR 9.00 governs the procedures and criteria used to award one-time grants for community health centers. 114.5 CMR 9.00 is effective January 9, 2004 and authorize \$5 million in grants pursuant to St. 2003, c. 26, § 620(2)
- (2) Authority. 114.5 CMR 9.00 is adopted pursuant to St. 2003, c. 26, § 620(2).

9.02: Definitions

As used in 114.5 CMR 9.00, unless the context requires otherwise, the following terms have the following meanings.

340B Pharmacy. A Community Health Center pharmacy program that meets the eligibility requirements to purchase discounted outpatient drugs under the Public Health Service Act, § 340B.

Commissioner. The Commissioner of the Division of Health Care Finance and Policy or designee.

Committee. The grant review Committee established under 114.5 CMR 9.09(1).

Community Health Center. A freestanding Community Health Center or a Hospital-based Community Health Center.

Division. The Division of Health Care Finance and Policy established under M.G.L. c. 118G.

Freestanding Community Health Center. A federally qualified health center operating in conformance with federal rules for community health centers under 42 USC § 254c, currently participating in the Massachusetts Medicaid program and uncompensated care pool, or a community health center with an active provider agreement with the Division of Medical Assistance under 130 CMR 405.000 and currently participating in the uncompensated care pool.

Hospital-based Community Health Center. A hospital clinic operating in conformance with federal rules for community health centers under 42 USC § 254c, and currently participating in the uncompensated care pool, or a hospital licensed community based satellite site which provides comprehensive primary care services including adult/internal medicine, pediatrics, obstetrics plus ancillary services including social services, case management, and nutritional counseling, has an established and independent community board or advisory committee, specific to the community health center of which at least 51% are consumers, is certified by the Division of Medical Assistance under 130 CMR 410.404 and currently participating in the uncompensated care pool. (*Note: Pediatrics and Obstetrics may be provided through formal contractual relationships.*)

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Medicaid. The Massachusetts Medicaid program administered by the Division of Medical Assistance.

Uncompensated Care Pool. The Uncompensated Care Pool established pursuant to M.G.L. c. 118G, §18.

9.03: Grant Categories

The grants available under 114.5 CMR 9.00 are sectioned into four grant categories listed in order of funding priority and amounts indicated in 114.5 CMR 9.03(1) through (4)

- (1) Severe Financial Distress: Individual grants range from \$50, 000 to \$500,000. Maximum of \$3 million total for this category.
- (2) 340 B Pharmacy Program Start-up or Expansion: Individual grants range from \$50,000 to \$150,000. Maximum of \$2 million for this category.
- (3) Information Systems Infrastructure to Increase Access: Individual grants with a minimum request of \$10,000.
- (4) One-time Project Funding to increase Access to Urgent Care Services: Individual grants with a minimum request of \$10,000.

9.04: Minimum Application Criteria

Applicants may submit grant requests for any or all of the grant categories listed under 114.5 CMR 9.03. Each grant request for each category should be a separate grant application. Only entities that meet all of the criteria set forth in 114.5 CMR 9.04(1) and all the criteria set forth in 114. 5 CMR 9.04(2) for the particular grant category applied for may submit a request. The Division will not review applications that do not meet these minimum criteria.

- (1) Overall Criteria.
  - (a) All applicants must be either a Freestanding Community Health Center or a Hospital-based Community Health Center.
  - (b) All applicants must be compliant with the reporting requirements of the previous one-time CHC grant awards administered through DHC FP from FY 2001-FY2003.
  - (c) All applicants must demonstrate participation in the compliance process of the Uncompensated Care Pool eligibility and reporting requirements.
  - (d) All applicants must be in compliance with the cost reporting requirements of 114.3 CMR 4.00
  - (e) To qualify, all applicants must demonstrate a sustainability, under which the need for this grant will not recur.
  - (f) Each applicant must describe how use of these funds will increase access for a specified medically underserved population.
  - (g) The Applicant must demonstrate that the funding will not be used for residential or inpatient services.
  - (h) All applicants must provide a detailed justification for the amount of funds needed, including the use of other available funding, or why no other funds are available.
- (2) Criteria for Specific Grant Categories.
  - (a) Severe Financial Distress. A Community Health Center experiencing severe financial distress may apply for a grant under 114.5 CMR 9.03(1) only if it meets one or more of the criteria listed in 114.5 CMR 9.04(2)(a)1. through 3.:
    1. It is provisionally qualified or not qualified by the Department of Public Health to contract to provide services for the Commonwealth.
    2. It has a Fiscal Year 2003 operating deficit.
    3. It has a Fiscal Year 2003 negative fund balance.

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(b) 340B Pharmacy Start-up or Expansion. A Community Health Center may apply for a grant under 114.5 CMR 9.03(2) only if it meets all of the criteria listed in 114.5 CMR 9.04(2)(b)1. through 3.:

1. The Applicant must demonstrate financial viability of the project through a business analysis.
2. The 340B Pharmacy or the expansion project must have a start date between October 1, 2003 and December 31, 2004.
3. The 340B Pharmacy must provide or commit to provide services to Medicaid members.

(c) Information Systems Infrastructure to Increase Access. A Community Health Center may apply for a grant under 114.5 CMR 9.03(3) only if it meets all of the following criteria: The Applicant must demonstrate that the funds will be used for information technology applications to improve or establish compliance with HIPAA, INET and/or other electronic based requirements or initiatives.

(d) One-time Project Funding to Increase Access to Urgent Care Services. A Community Health Center may apply for a grant under 114.5 CMR 9.03(4) only if it meets all of the criteria listed in 114.5 CMR 9.04(2)(c)1. and 2.:

1. The applicant must demonstrate that the funds will be used to improve emergency room diversion rates in area hospital(s).
2. The applicant must demonstrate how the initiative will achieve fiscal sustainability after the grant funding has been expended.

9.05: Application Procedure

(1) Letter of Intent. The Division requires Applicants to submit a letter of intent by 4:00 P.M. on January 23, 2004. Letters must be submitted to the Division's offices at 2 Boylston Street, 4<sup>th</sup> floor, Boston, MA 02116, Attention: Sara Carroll. The letter should state the Grant Category(ies) listed under 114.5 CMR 9.03 for which the Applicant intends to apply and as well as an estimation of the dollar amount the applicant anticipates requesting. This estimated amount is non-binding. A letter of intent is required in order to receive a grant.

(2) Application Deadline. The Division must receive five paper copies, of the table of contents, narrative and attachments described in 114.5 CMR 9.06(1)(a) through (c), plus one copy on diskette in Word version 6.0 or higher of the table of contents and the narrative and one copy of the materials identified in 114.5 CMR 9.06(1)(d). All materials must be delivered to the Division by 4:00 P.M. on Friday, February 13, 2004. The review Committee will not consider applications received after that date and time. Applications must be submitted to the Division's offices at 2 Boylston Street, 4<sup>th</sup> floor, Boston, MA 02116, Attention: Sara Carroll.

9.06: Application Materials

All Applicants must submit the materials required in 114.5 CMR 9.06

(1) Materials to be Submitted by Applicants. Applicants must submit a separate package for each category it wishes to be considered. Each application should contain the four sections listed in 114.5 CMR 9.06(a) through (d):

(a) Table of Contents. Table of Contents listing at least all of the items required in 114.5 CMR 9.06.

(b) Narrative. A narrative that must not exceed ten pages and includes the items listed in 114.5 CMR 9.06(1)(b)1. through 6.:

1. General overview briefly describing the current situation of the Applicant, the grant category for which it is applying, and how the grant money will be used.
2. Description of how the applicant meets the relevant minimum application criteria contained in 114.5 CMR 9.04(1)(a) through (h).
3. Description of the population served by the center and the services provided, the services for which there is lack of sufficient access and how access to the targeted services will be increased.

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4. Description of the intended use of funds with accompanying detailed budget and budget narrative. Justification for the amount of funds requested. The budget should include any ancillary supplies required.
  5. Applicants must demonstrate that it cannot obtain requested funds from any other funding source or are insufficient to attain this objective. Description, if applicable, of how these funds would be used in conjunction with other funds from the Commonwealth, a parent corporation, other grants, or other revenue sources. Give amounts, if applicable, of other funding sources to attain program objective.
  6. Timelines for start-up and full implementation of the initiative funded by this grant.
- (c) Attachments. The following attachments must be included in the application:
1. A complete set of Fiscal Year 2002 and Fiscal Year 2003 audited financial statements. Financial statements approved by the board as truly representing the financial situation of the institution may be substituted for years in which audited financial statements are not yet available.
  2. Internal management letter from independent auditor.
  3. Minutes of the Board meeting where the Applicant's independent auditor presented its financial statements to the Board.
  4. Projected Fiscal Year 2004 budget (revenues, expenses and underlying assumptions).
- (d) Contract Forms. All contract forms required by the Office of the Comptroller in preparation for possible execution of a contract. Applicants requesting funding for more than one category need only submit one copy of these forms.
- (2) Materials Required for Specific Grant Categories. In addition to the materials required in 114.5 CMR 9.06(1), Applicants must submit the specific materials described under the grant category for which they are applying.
- (a) Severe Financial Distress. Applicants for funding under this category must include in the Narrative, required under 114.5 CMR 9.06(1)(b):
1. An explanation of the source or cause of the Applicant's financial hardship.
  2. A description of the financial problem and how this grant would resolve the problem and how the center will work to prevent such a situation from reoccurring.
  3. Projected Fiscal Year 2004 monthly cash flows.
  4. Fiscal year 2004 plan to balance its operating costs.
  5. A description of how the financial problem impacts now or in the near future on access to care for patients.
  6. The minutes of the Board meeting where the Board approved this application for relief.
  7. If a center has received a grant under 114.5 CMR 8.00 (Hardship Relief Grants) and/or 114.5 CMR 9.00 (One-time CHC Grant, Effective 3/10/2001 *et seq.*), under any category of financial distress explain in detail your reasons for applying for this grant.
- (b) 340B Pharmacy Start-up or Expansion. Applicants for funding under this category must include in the Narrative, required under 114.5 CMR 9.06(1)(b):
1. A description of the business analysis that demonstrates financial sustainability.
  2. Documentation that the 340B Pharmacy or the expansion project has a start date between October 1, 2003 and December 31, 2004.
  3. Documentation that the 340B Pharmacy provides or is committed to provide services to Medicaid members.
- (c) Information Systems Infrastructure to Increase Access. Applicants for funding under this category must include in the Narrative, required under 114.5 CMR 9.06(1)(b):
1. Description of how the funds will be used for information technology applications to improve or establish compliance with HIPAA, INET and/or other electronic based requirements or initiatives.
  2. Description of how the upgraded information technology system will improve access.
- (d) One-time Project Funding to Increase Access to Urgent Care Services. Applicants for relief under this category must include in the Narrative, required under 114.5 CMR 9.06(1)(b):
1. Documented evidence of demand for the program or service to include current information on emergency room diversion rates in the applicant's area.
  2. A description of how the funds will be used to improve access to urgent care.

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3. A description of how the program will support itself after the funds from this grant are expended; including projected revenue collections as a result of the expansions.

9.07: Duty to Supplement Application

Applicants shall report any relevant changes in circumstances, including but not limited to changes in funding need, that occur after the applicant is submitted.

9.08: Criteria for Awarding Grants

The grant review Committee will evaluate all applications for Grant Categories using the funding preferences in 114.5 CMR 9.08(1) and the criteria in 114.5 CMR 9.08(2) and (3).

(1) Funding Preferences. Preference of Funding will be given to Grant Requests for categories in the following order of priority indicated numerically:

- (a) Priority Area 1: Severe financial distress.
- (b) Priority Area 2: 340B start-up and expansion.
- (c) Priority Area 3: Information systems infrastructure to increase access.
- (d) Priority Area 4: One-time project funding to increase access to urgent care services.

(2) Prior Grant Funding. Applicants who received funding under 114.5 CMR 9.00 (One-Time CHC Grant, effective 3/10/2001 *et seq.*) and 114.5 CMR 14.00 must be in full compliance with terms of grant award including but not limited to reporting requirements.

(3) Specific Award Criteria for Grant Categories.

(a) Severe Financial Distress. If an Applicant is a department of a larger entity, *i.e.* if the Applicant's costs and revenues are reported only as part of a larger entity's cost reports and financial statements, financial data for the larger entity will be used to determine financial hardship. The indicators listed in 114.5 CMR 9.08(3)(a)1. through 6. will be used to measure the degree of an Applicant's financial hardship.

1. Fiscal Years 2002 and 2003 Uncompensated Care Pool revenues as a percent of total revenues.
2. Fiscal Year 2003 Debt to Equity Ratio.
3. Fiscal Year 2003 Current Ratio.
4. Fiscal Year 2003 Days Cash on Hand.
5. Uncompensated Care Pool revenues as a percentage of total operating revenues for FY 2002 and 2003.

6. Strong Management Practices. Applicants shall demonstrate adherence to, or an ability and willingness to develop, the practices listed in 114.5 CMR 9.08(3)(a)6.a. through h., which are intended to alleviate any recurring need for hardship relief. The Applicant must demonstrate that it:

- a Operates in compliance with all federal, state and local laws and regulations. If a government agency has required the Applicant to change its procedures as the result of an audit or other review, the Applicant must currently:
  - (i) be in compliance with the agency's policies; or
  - (ii) must be in compliance with a plan, approved by the agency, to come into compliance over time.
- b. Provides high quality patient care that meets or exceeds industry norms. If there are outstanding state licensure issues, the Applicant must be in compliance with a plan, approved by the Department of Public Health, to resolve these issues.
- c. Document a monthly practice of comparing actual revenues and costs to budgeted revenues and costs, and identifying the cause of variances.
- d. Document monthly financial reports to the Applicant's board.
- e. Document that it has a process for board review of audited financial statements.
- f. Document that it has accountability and internal control systems appropriate for the size of the facility.

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- g. Be moving toward meeting or exceeding industry norms for productivity and efficiency, such as: days in accounts receivable, days payable, asset turnover, and cost efficiency.
- h. Have adjusted its operations to reflect any changes in its consumer base and utilization.
- (b) 340B Pharmacy Start-up or Expansion. Funding will be determined based on the how well the application meets the eligibility requirements and the criteria listed in 114.5 CMR 9.08(3)(b)1. and 2.:
  - 1. Demonstrates financial viability after the grant period has ended.
  - 2. Demonstrates expansion of services to the target population.
- (c) Information Systems Infrastructure to Increase Access. Funding will be determined based on the how well the application meets the eligibility requirements and the criteria listed in 114.5 CMR 9.08(3)(c)1. through 3.:
  - 1. Documents the need for the funding
  - 2. Demonstrates expanded access to the target population.
  - 3. Demonstrates financial viability after the grant period has ended.
- (d) One-time Project Funding to Increase Access to Urgent Care Services. Funding will be determined based on the how well the application meets the eligibility requirements and the criteria listed in 114.5 CMR 9.08(3)(d)1. through 3.:
  - 1. Documents the need for the funding.
  - 2. Demonstrates expanded access to the target population.
  - 3. Demonstrates financial viability after the grant period has ended.

9.09: Review and Selection Procedure

- (1) The Division will establish a grant review Committee, comprised of state agency staff. The Committee will review all required application materials under 114.5 CMR 9.06 and 9.07 submitted by all entities eligible to apply for grants under 114.5 CMR 9.04.
- (2) The Committee will review the applications in accordance with the award criteria in 114.5 CMR 9.08. Applications that do not meet all the minimum application criteria in 114.5 CMR 9.04 and have not submitted all required materials in 114.5 CMR 9.06 and 9.07 according to the procedures identified in 114.5 CMR 9.05 will not be further reviewed and will not be approved for funding.

The Committee may request an Applicant to submit any additional information it deems necessary to complete its review, including an oral presentation. The Division must receive all requested additional materials within five business days of the Committee's request in order for the Committee to consider the additional materials.
- (3) The Committee will recommend to the Commissioner Applicants to receive grants, the amounts to be awarded, and any additional steps the Applicants must take in order to demonstrate strong management practices. The Committee may make multiple awards in each Grant Category.
- (4) The Committee may award an amount higher or lower than that requested by the Applicant if applicable. Awards will be made based on the availability of funds, the degree to which an Applicant meets the criteria in 114.5 CMR 9.08, and the degree to which the grant meets the Applicant's need for such funding. The total amount of the grants awarded will be \$5.0 million.
- (5) The Commissioner will make the final award decisions based on the recommendations of the Committee and the criteria in 114.5 CMR 9.08. The Commissioner's decisions are final and not subject to appeal.
- (6) The Division will notify all Applicants of their selection or non-selection for a grant.
- (7) The Commissioner will deliver a summary report to the EOHHS and House and Senate Ways and Means Committees, as required by the enabling legislation

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(8) All Applicants selected to receive a grant must execute contracts with the Division, as required by 815 CMR 2.05, in order to receive payment.

9.10: Post-award Reporting Requirements

Post-award reporting with deadlines for the use of funds may be included in the contracts for grantees.

9.11: Severability

The provisions of 114.5 CMR 9.00 are severable. If any provisions or the application of any provision to any Community Health Center or circumstances is held invalid or unconstitutional, and such invalidity shall not be construed to affect the validity or constitutionality of any remaining provisions of 114.5 CMR 9.00 or the application of such provisions to Community Health Centers or circumstances other than those held invalid.

REGULATORY AUTHORITY

114.5 CMR 9.00: St. 2003, c. 26, § 620(2).

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