Success story: BankFinancial solves cash flow challenges for Texas safety-net hospital

Situation

In many areas across the United States, vast uninsured populations continue to create financial challenges for providers—a trend that is not expected to change after the Affordable Care Act is fully implemented in 2018. In Texas alone, an estimated 13 percent of the state’s population could remain uninsured in the final days of the ACA rollout, when uncompensated care there may total more than $8 billion.

Recently, a safety-net health system in the Lone Star State learned how this lack of healthcare coverage among local residents can result in immediate cash-flow challenges—even with special governmental programs designed to cover the costs of treating them.

Although eligible for set-asides through the Local Provider Participation Fund, a statewide bed tax, the two-hospital health system at the time was dipping into its already lean operating budget to meet the costs of treating low-income and uninsured patients until the funds eventually became available. Similar to other safety-net hospitals, these facilities, too, faced steep regulatory and administrative hurdles in obtaining federal assistance through local programs that require matching funds.

Solution

The health system engaged BankFinancial based on its reputation for developing successful cash flow strategies for healthcare organizations across the country. BankFinancial’s specialization in addressing complex regulatory, legal and administrative hurdles also made it uniquely qualified in developing a tailored approach that would meet the provider’s needs, so it could remain solvent and continue providing high-quality care to vulnerable populations. Specific initial recommendations included:

- Line of credit: With immediate financial needs, a line of credit would provide the health system with access to its bed-tax funding upfront, allow it to meet its immediate financial obligations and bypass the need to reallocate resources from its operating budget and put additional pressure on its cash flow.
- Attractive terms: With a one-year term and a competitive interest rate, the provider would be able to meet its immediate financial needs, have flexibility in the future and meet all legal and regulatory requirements.
- Compliance: Safety-net hospitals must navigate a complex set of state and federal rules in accessing some available funds for treating vulnerable populations—requirements that already strained organizations are not always best-equipped to address themselves. BankFinancial’s solution was designed to exceed all state and federal requirements, limiting any additional burden on the safety-net health system and its staff.
Result

The health system’s leadership formally engaged BankFinancial to implement its recommended approach. Utilizing this innovative solution, the local provider obtained access to a diversified funding stream, immediately clearing the way for the health system to maintain its operations without further threat of financial distress.

The LPPF-credit line strategy also allowed the two hospitals to gain access to available federal matching funds to cover the costs of uncompensated care, while blocking allocation sweeps from a state-based program that earmarks assistance for specific care. Today, utilizing BankFinancial’s strategy, the hospitals continue to finance their operations by integrating these complex cash flow tools with state and federal funding programs.

For more information on BankFinancial’s cash flow strategies for healthcare providers, please contact Senior Vice President of National Healthcare Lending Scott Besece at sbesece@bankfinancial.com or (813) 832-6091.

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Sources: