Anderson Valley Health Center

Building Mortgage Economic Impact

Background

The Anderson Valley Health Center undertook a building addition and remodeling project in 2007/2008 to upgrade facilities and allow for all of the health care services being offered to be located at one site. Funding for the project included $1.3 million in community donations and two loans from the US Department of Agriculture that totaled $2.1 mm. The larger of the two loans originated on July 18, 2007 with a principal of $1.7m, an interest rate of 4.25% and a 30 year term. The smaller loan originated on October 1, 2008 with a principal of $400k, an interest rate of 4.5% and a 30 year term.

The AVHC made regular principal plus interest payments on the loans until it encountered severe financial challenges due to loss of state payments for programs and services rendered, including all Medi-Cal payments for dental services. Beginning in April 2009, over one-third of the operating revenues were lost. The health center continued to make full principal plus interest payments on the smaller loan and interest only payments on the larger loan. As a result, the AVHC fell behind in payments to the USDA by $126k.

Once the AHVC achieved Federally Qualified Health Center (FQHC) status and funding in August 2011, the severe financial challenges were alleviated and a negotiated workout agreement with the USDA that resulted in the outstanding balance of the larger loan being re-amortized, and regular payments have been made since. At this time, November 2011, the principal and interest payments of the larger loan were $9309/month and $2,028/month on the smaller loan, for a total of $11,337/month.

The loan agreements with the USDA allow for direct pay-down of the principal remaining from time to time and a re-amortization of the new outstanding principal owed. A prepayment of $180k was made in June 2013 on the larger loan. The re-amortized principal and interest payments were lowered to $8237/month, however the AVHC chose to continue paying the previous amount which results in paying an extra $1018/month against the principal.

Current Status

As of the end of 2014, the remaining principal amounts were $1,416,666 on the larger loan and $353,719 on the smaller, for a total of $1,770,385. For the first six months of the fiscal year, July through December 2014, the total monthly principal and interest payment of $11,337 represented about 5.7% of the AVHC total monthly expenses. The facility expenses, excluding depreciation, averaged $2360/month including janitorial services, repairs and maintenance and utilities. The HRSA target for long term debt to equity ratio is 1.5 or less. The AVHC was at 1.49 at the end of 2014.

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