This document is a part of a larger series of fact sheets on the safety net. The purpose of this fact sheet is to define the role of state and territorial health agencies within the safety net, specifically public entity community health centers.

**What Are Health Centers?**

Health centers are nonprofit private or public entities that serve designated medically underserved populations/areas or special medically underserved populations comprised of migrant and seasonal farm workers, the homeless or residents of public housing.¹ Some health centers receive federal funding under Section 330 of the Public Health Service (PHS) Act grants from the Health Resources and Services Administration (HRSA) Bureau of Primary Health Care (BPHC).² Section 330 of the PHS Act defines “public center” as a health center funded (or to be funded) through a Section 330 grant to a public agency. For the purposes of this document, public agency will be referred to as public entity, as this is the preferred terminology for ASTHO’s members.


**What Are Public Agency Health Centers (Public Centers)?**

- Congress revised Section 330 in 1978 to authorize the Department of Health and Human Services to expend up to 5 percent of the annual Section 330 appropriation in support of public centers with governing boards that do not fully exercise all of the required authorities.³

Unlike other health centers, public entities eligible for Section 330 grants may be permitted to utilize a coapplicant structure in order to meet Health Center Program governance requirements.

- Public entities eligible for Section 330 grants may include, but are not limited to, public hospitals and municipal health departments.⁴

**Two Models of Public Centers**

- **Direct Model:** Public entity meets all of the Section 330 federally qualified health center (FQHC) program requirements.⁵ This model is uncommon because few public entities have, or legally could have, a board that meets Section 330 selection and composition requirements.⁶

- **Coapplicant Model:** Public entity and a coapplicant entity collectively meet all Section 330 requirements.⁷ The public entity receives the grant funds or FQHC look-alike designation, and the coapplicant serves as the FQHC’s governing board. The public entity and the coapplicant collectively meet section 330 governance requirements, and the two entities function together as the public health center.⁸
Impact of the Patient Protection and Affordable Care Act (PPACA) on Public Centers

The 2010 Patient Protection and Affordable Care Act (PPACA) provides $11 billion in mandatory funding for community health centers. Of the $11 billion, $9.5 billion will allow health centers to expand their operational capacity to serve nearly 20 million new patients and to enhance their medical, oral, and behavioral health services. The remaining $1.5 billion of this funding will allow health centers to expand and improve existing facilities and construct new sites. Public centers may be eligible for this additional funding to support and maintain access to primary care.

To qualify as a public entity eligible for funding, the organization must be:

- A state or a political subdivision of a state with one or more sovereign powers.
- An instrumentality of government, such as those exempt under Internal Revenue Code section 115, or a subdivision, municipality, or instrumentality of a U.S.-affiliated sovereign state that is formally associated with the United States.

Role of State Health Agency in Establishing Public Entity Community Health Centers

Organizations that are applying as public entities would typically collaborate with state primary care offices (PCOs) in establishing these new entities. PCOs assist interested organizations in activities such as analyzing and prioritizing needs for primary care services, submitting requests for designation of areas and populations as medically underserved areas or populations (MUAs/MUPs) and health professional service areas, and assisting with recruiting and retaining clinicians in health centers through the National Health Service Corps program.

State Health Agency Applying to be Public Center

State health agencies are permitted to apply as public entities for a public center project through a coapplicant arrangement. Collectively, the state health agency and the coapplicant organization meet the requirements and are considered the health center. Benefits for health entities’ public center projects (applicable to all Section 330 grantees) include:

- Federal funds to support the costs of uncompensated care.
- Enhanced reimbursement under Prospective Payment System or other state-approved alternative payment methods for services provided under Medicaid; and cost-based reimbursement for services provided under Medicare.
- Participation in the 340B Drug Pricing Program.
- Health Professional Shortage Area designation and participation in National Health Service Corps.
- Federal Tort Claims Act malpractice coverage.
- Access to the Federal Loan Guarantee Program.
Disclaimer: The Health Resources and Services Administration refers to Health centers as nonprofit private or public agencies. For the purposes of this document, public agencies will be referred to as public entities, as this is the preferred terminology for ASTHO’s members.

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Resources

2 Ibid.
6 Ibid.
7 Ibid.
8 Ibid.
10 Ibid.
11 Ibid.