Primary Care Capital Fund Policy

This Primary Care Capital Fund Policy ("Primary Care Capital Policy") was adopted on the 12th day of December 2024 by the Board of Directors of the New Mexico Finance Authority ("NMFA"), a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.

I. PURPOSE

A. Statutory Purpose

The purpose of the Primary Care Capital Fund is to provide funding for capital and operating projects to non-profit primary care providers to increase the provision of primary care services in rural and other health care underserved areas of the state.

B. Policy Objectives

The goal of this Primary Care Capital Policy is to provide guidance to NMFA staff and applicants regarding program implementation including mission objectives, lending parameters and terms, and reporting requirements. This policy is intended to provide a foundation for standards of discipline guiding the execution and monitoring of loans from the Primary Care Capital Fund.

This Primary Care Capital Policy shall be implemented by the NMFA Board and may, at times, be waived by the Board if the Board determines that a deviation regarding certain Policy provisions is advisable. Such waiver will be reflected in the minutes of the meeting at which the waiver is considered.

II. DEFINITIONS

A. "**Act**" means the Primary Care Capital Fund Act, (NMSA 1978 Sections 24-1C-1 to 24-1C-10), as may be amended from time to time;

B. "**Applicant**" means an Eligible Entity filed a form with NMFA requesting Financial Assistance from the Fund;

C. "**Board**" means the NMFA Board of Directors;

D. "**Capital Project**" means acquisition, repair, renovation or construction of a facility, purchase of land, acquisition of capital equipment of a long-term capital nature, or acquisition of capital equipment to be used in the delivery of primary care, telehealth or hospice services;

E. "**Contract for Services**" means an agreement with an Eligible Entity to provide free or reduced fee primary care services for Sick and Medically Indigent patients as reasonably adequate as reasonably adequate legal consideration from the Fund;

F. "**Department**" means the New Mexico Department of Health;

G. "**Eligible Entity**" means:

(1) a community-based nonprofit primary care clinic that operates in a rural or other Health Care Underserved Area of the state that is a 501(c)(3) nonprofit corporation for federal income tax purposes and that meets Department requirements for eligibility;

(2) a hospice that operates in a rural or other Health Care Underserved Area of the State that is a 501(c)(3) nonprofit corporation for federal income tax purposes and that meets Department requirements for eligibility;

(3) a school-based health center that operates in a public school district and that meets Department requirements or that is funded by the federal department of health and human services;

(4) a primary care clinic that operates in a rural or other Health Care Underserved Area of the state, that is owned by a county or municipality and that meets Department requirements for eligibility; or

(5) a telehealth site that is operated by an entity described above and that meets Department requirements for eligibility;

H. "**Financial Assistance**" means loans, contracts for services, and any other type of assistance authorized by the Act, or a combination thereof, provided by the NMFA to an Eligible Entity;

I. “**Fund**” means the Primary Care Capital Fund, created pursuant to NMSA 1978, Sections 24-1C-1 to 24-1C-10;

J. “**Health Care Underserved Area (HCUA)**” means geographic areas where it has been determined by the Department, through the use of indices and other standards set by the Department, that sufficient primary health care is not being provided to the citizens of that area. These designations may recognize need for either general or special health care services. HCUA designations may give consideration to federally designated health professional shortage areas (HPSA) and medically underserved areas (MUA);

K. “**NMFA**” means the New Mexico Finance Authority;

L. “**Operating Capital**” means funds needed to meet short-term debt obligations, such as accounts payable, wages, debt servicing, lease and income tax payments;

M. “**Primary Care**” means the first level of basic or general health care for an individual’s health needs, including diagnostic and treatment services and including services delivered at a primary care clinic, a telehealth site or a school-based health center; “Primary Care” includes the provision of mental health services if those services are integrated into the Eligibility Entity’s service offerings;

N. “**Rules**” means the rules governing the Primary Care Capital Fund;

O. “**Sick and Medically Indigent**” means individuals who are unable to afford all medical care that they require. This includes both those individuals below the federal poverty level not covered by Medicaid, Medicare or other third-party health care insurance and those individuals between 100% and 200% of federal poverty levels who are not covered by any third-party health insurance. Sick and Medically Indigent individuals are usually expected to pay for some portion of the cost of their health care based upon the level of their income.

III. MISSION OBJECTIVES

NMFA’s partner on program implementation is the Department, specifically the Office of Primary Care & Rural Health, which advocates for quality health care delivery systems for all New Mexicans and provides information, referrals, education, health planning for New Mexico communities, grant opportunities, technical assistance, and financial assistance for health centers.

The mission of the Primary Care Capital Fund is to improve access to quality healthcare for New Mexicans by providing affordable financing for capital projects and operations to primary care service providers expanding services to underserved populations throughout the state.

IV. LOAN STRUCTURING PARAMETERS

A. Eligible Uses of Loan Proceeds

- Eligible uses of loans for Capital Projects include land/building acquisition, facility repair, renovation or construction, and capital equipment of a long-term nature used in the delivery of Primary Care, telehealth or hospice services.
- Eligible uses of lines-of-credit for Operating Capital include short-term obligations supporting the expansion of services, such as accounts payable, wages, debt servicing, lease and income tax payments.

B. Loan Terms

- Loans for capital projects may mature in five (5) to twenty (20) years.
- Operating lines-of-credit mature in two (2) years.

C. Loan Amortization

- Loans: May amortize over five (5) to twenty (20) years, with up to three (3) years of interest-only payments.
- Operating line-of-credit: May amortize over two (2) years, with interest-only payments in the first year and quarterly principal repayments in the second.

D. Interest Rates

- Loans: Fixed interest rates of 2% per annum; interest paid monthly.
- Operating line-of-credit: Fixed interest rates of 2% calculated on balance drawn; interest paid monthly.

E. Borrower Equity Requirements

- Loans: A minimum of ten percent (10%) of the total loan amount must be contributed to the project cost budget by the borrower.
- Operating line-of-credit: No equity requirement.

F. Debt Service Coverage Requirements

The below three coverage tests establish minimum requirements of the Applicant's excess revenue-to-debt, its ability to meet short-term obligations and its solvency. The NMFA will require applicants meet the below three measures:

1) Cash Flow Coverage (≥ 1.0x): Without consideration to the abatement provided by Contract For Services, at a minimum, NMFA will evaluate historical and projected Earnings Before Depreciation and Amortization (EBDA) to establish the Applicant's ability to cover any existing and proposed debt service. At its discretion, NMFA may undertake a multi-year approach to determine eligibility under this test.

2) Current Liquidity Ratio (≥ 1.5x): NMFA will determine an Applicant's ability to repay current debt obligations by comparing its current assets to its current liabilities.

3) Debt Ratio (≤ 1.25x): NMFA will determine the degree to which an Applicant's assets are financed with debt by comparing its total liabilities, with consideration to the proposed loan, to its total assets.

G. Additional Debt

All future additional debt must receive consent from NMFA before closing, noting that such consent cannot be unreasonably withheld.

H. Collateral by Loan Type

The NMFA will ensure adequate protection, including loan guarantees, real property liens, title insurance, security interests in or pledges of accounts and other assets, loan covenants and warranties or restrictions on other encumbrances and pledges for Financial Assistance. Specific collateral requirements will vary in each circumstance, but at a minimum, the NMFA will file a lien at least equal to the total amount of Financial Assistance awarded.

- Loans supporting Capital Projects may be collateralized by real property with loan-to-value not to exceed 90%. NMFA requires an as-built/as-complete or market-value appraisal prepared by an independent, qualified appraiser.
- Operating lines-of-credit may be collateralized by accounts receivable. Borrowers agree to maintain less than 90-day accounts receivable, net of appropriate collection reserves, equal in amount no less than 75% of the outstanding balance of the line-of-credit. NMFA will review less than 90-day accounts receivable on a quarterly basis. If the outstanding balance on the line-of-credit exceeds 75% of the less than 90-day accounts receivable net of appropriate collection reserves, the borrower must pay down the line-of-credit until 75% is achieved.

I. Prepayment

Loans may be repaid in full at any time and at no additional cost to the borrower.

J. Contract For Services

Borrowers may provide Contract for Services for 20% of the original amount of Financial Assistance. For a borrower to earn the abatement provided for in Contracts For Services, the Department must certify the borrower is providing care to Sick and Medically Indigent patients at free or reduced costs as required. NMFA will actively monitor these quarterly reports.

V. REPORTING REQUIREMENTS

Borrowers are required to submit regular and timely financial statements and detailed reporting including:

- Audited annual financial statements and filed copies of annual Federal and State income tax returns;
- Quarterly unaudited complete financial statements and quarterly collateral

compliance certificates including account receivable aging reports

- Quarterly business/project performance report including a brief narrative and status of project completion and budget
- Annual impact metrics including primary care services provided and number of clients served;
- Quarterly certification that there has been no change in business ownership/change in control, and that the Borrower's status as a qualified non-profit in good standing remains current with the Department.

The NMFA reserves the right to request additional information for monitoring purposes.

VI. REFERENCES

- NMSA 1978 Sections 24-1C-1 to 24-1C-10