**Turf Wars: How Growth and Competitive Shocks have Impacted the Care Delivery at Federally Qualified Health Centers**

Federally Qualified Health Centers (FQHC) are a critical and growing part of the health care safety net in the United States. Estimates show that FQHCs directly provide care to 30 million patients annually, an increase of 10 million in just the past 10 years, including over 70% of whom are either covered by Medicaid or are uninsured. While this growth in access has been heralded given the broad and compelling evidence documenting the value of FQHCs, it has also resulted in clinics opening new care delivery locations in the service area of another, triggering an unprecedented spatial overlap between clinics. Accordingly, this unfettered growth of access to FQHCs may have had unintended consequences, but these have not been well elucidated.

One concern FQHC leaders have articulated, in particular, is related to the potential for increased competition among FQHCs. Traditionally, FQHCs have operated under a mandate of collaboration, requiring centers to work together to collectively serve the needs of their communities. However, an ultracompetitive environment could fundamentally change the calculus for many centers, potentially forcing them to compete to attain or retain patients. Moreover, because reimbursement for all patients are not equivalent, market pressure could induce “cream skimming” that may erode budgetary surpluses at nearby clinics. This may limit centers’ capacity to cross-subsidize and engage in mission focused activities, eliciting a response that is aligned with a for-profit model than a safety net.

In this study, I explore the interaction between an expanding safety net and competition, examining the impact of competitive shocks on the performance, access, and utilization of FQHCs. Using clinic-level data from 2010 through 2021 and a staggered difference-in differences design, I compare changes in incumbent FQHC behavior after the first competitive shock from a new rival FQHC and compare it to the behavior of control FQHCs that never experienced a competitive shock.

In the empirical analysis, I find that competitive shocks significantly impact FQHC performance. Competitive shocks are associated with a significant increase in an incumbent FQHC’s quality (2.24pp, 95% CI: 0.04 pp to 4.44 pp), driven in part by a short-run reduction in their financial stability (-0.21, 95% CI: -0.39 to -0.03). This is also accompanied by a significant decrease in the prevalence of chronic conditions (-0.32pp, 95% CI: -0.62 pp to -0.02 pp). Furthermore, I find a significant shift in the incumbents’ payer mix, caring for more patients with generous insurance coverage such as Medicaid (1844 patients, 95% CI: 402 to 3,286 patients). Concurrently, competitive shocks are associated with significant growth of the incumbent clinics, where they disproportionately reallocate 10% of resources from outlying zip codes closer to the new rival.

This study finds that FQHCs respond to competitive shocks in a manner consistent with the model of a for-profit clinic, challenging the traditional understanding of these clinics. Policy guardrails must be instituted to incentivize clinics to grow into persistently underserved communities and provide care to patients without health insurance and those with chronic conditions in addition to solidifying federal grant funding.