**Title**:

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

**Research Objective:**

Federally Qualified Health Centers (FQHCs) are a critical and growing part of the health care safety net, doubling over the past 15 years to expand access to essential healthcare services in traditionally underserved communities. And since their inception, these clinics have been statutorily required to collaborate, as opposed to compete, with each other. However, the growth and proximity of centers may have made competition inevitable. While evidence suggests that competition in health care improves outcomes, few studies have examined competitive forces in the context of the safety-net, where fewer patients and less slack resources may confound historically observed relationships and ultimately, clinics may respond like a for-profit to a competitive shock, instead of as a safety net organization. However, the impacts of competitive shocks on the organization and delivery of care at FQHCs has not been well elucidated.

**Study Design:**

In this study, I explore the interaction between a growing safety net and competition, uniting and extending theoretical models of the Newhouse nonprofit hospital and Hotelling spatial competitive market to evaluate whether FQHCs respond to competitive pressures more like safety-net or for-profit organizations. Empirically, I examine whether and how competitive shocks affect the performance, allocation, and capacity of incumbent clinics. 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. The primary outcomes were a composite measure of 6 clinical quality measures, measures of access to care and resource allocation, as well as measures of selection across patient insurance type and clinical complexity. Models controlled for age, poverty, race, and ethnicity patient panel characteristics.

**Population Studied:**

The final sample is comprised of 406 FQHCs that continuously operated between 2010 and 2021, leading to a dataset of 4,872 FQHC-year observations.

**Principal Findings:**

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). Strikingly, clinics also reallocate 5% of resources, recentering and concentrating their organizations closer to the new rival.

**Conclusions:**

These findings suggest that FQHCs respond to competitive shocks in a manner consistent with the model of a for-profit clinic, challenging the traditional expectations of these clinics.

**Implications for Policy or Practice:**

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.