

Community Health Equity Capital Fund (CHECF)

By Frontline Capital

PRIVATE CREDIT BLENDED FINANCE

Asset Class: Private Credit / Infrastructure
 Gross Yield: 13.8%
 Number of CHCs: 30-40
 Average Investment: \$7M

\$250M

Total Fund Size

9.2%

Target Blended Net IRR

30M+

American Served

10 Years

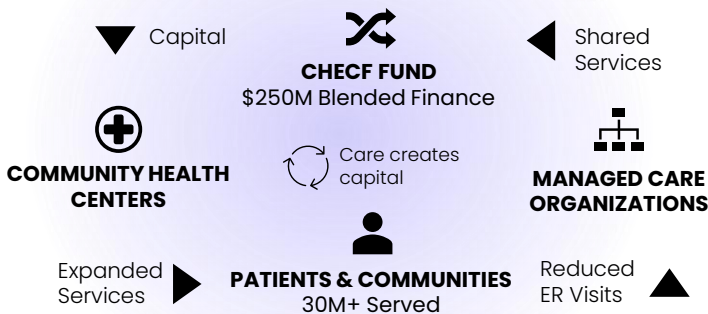
Fund Term

INVESTMENT THESIS

Every \$1 not invested in primary care costs the U.S. healthcare system \$3-5 in preventable emergency spending. **Yet no institutional investment vehicle exists to capture that value.** CHECF closes the loop: by financing CHC expansion in America's health deserts, we convert \$250M of capital into a self-reinforcing system where healthier patients generate the financial returns that repay investors.

The mechanism is a three-part revenue engine (base debt service, MCO shared savings, and 340B pharmacy participation) where payers compensate the fund more when patients stay healthier. **This is not a trade-off between returns and impact. Impact is the yield.**

THE CHECF VALUE LOOP



Capital flows to CHCs to expand services, reduce ER visits for MCO members, share savings returns to the fund, and create a self-reinforcing loop of health impact and financial return.

TARGET GEOGRAPHY (PHASED ROLLOUT)

Phase 1 (Y1-Y3): Appalachian Region (KY, WV, TN)

Phase 2 (Y3-Y6): Geographic South (TX, GA, FL)

Phase 3 (Y6-Y10): Urban Health Deserts (Southwest)

CHECF targets primary care shortage markets with provider ratios below 1:3,500, where demand is visible but capacity is constrained. Despite **1,400+ FQHCs** across 14,000+ sites, a **\$21B+ annual capital gap persists**, as 2-4% margins prevent access to conventional expansion financing

CAPITAL STACK & FUND STRUCTURE

TRANCHE A - CATALYTIC/FIRST LOSS (70%)

\$175M | 8.5% IRR

Institutional Investors, Pension Funds, Insurance Companies, Bank CRA Capital

TRANCHE B - MEZZANINE CAPITAL (15%)

\$37.5M | 6.0% IRR

Impact Investors, Family Offices, High Net-Worth Individuals, Donor-Advised Funds

TRANCHE C - SENIOR DEBT (15%)

\$37.5M | 2.5% IRR

Philanthropic Foundations, Government Grants, Program-Related Investments

↑ Increasing Risk + Returns

WHAT CHECF UNIQUELY COMBINES

CHECF integrates four existing tools into one investable vehicle

Grant funding

Operational base (HRSA Section 330)

CDFI-style debt

Patient, mission-aligned capital

Value-based care

MCO shared-savings yield from patient care

340B pharmacy

Margin & reserve enhancement

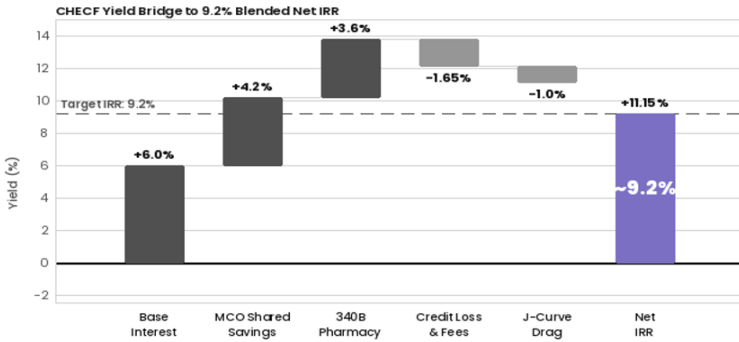
INVESTMENT CRITERION & DILIGENCE

CRITERION	REQUIREMENT
FQHC Status	HRSA-designated Federally Qualified Health Center
Location	HRSA Medically Underserved Area (MUA) or HPSA
Medicaid Mix	≥60% Medicaid/uninsured patient population
Financial Health	Positive operating margin or clear path to breakeven within 24 months
340B Eligibility	Existing or eligible for 340B Drug Pricing Program
Investment Size	\$2M-\$15M per CHC, targeting 25-50 centers

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FINANCIAL MODEL & RETURNS



Revenue Sources	Mechanism	Yield
Base Interest	5–6% interest on CHC senior loans	+6.0%
MCO Shared Savings	35% capture of avoided ER costs (~500 visits/clinic/yr)	+4.2%
340B Pharmacy	20% participation in pharmacy EBITDA (~\$900K/clinic)	+3.6%
Credit Loss & Fees	1.5% default rate (340B reserve offset); 1.5% management fee	-1.65%
J-Curve Drag	Years 1–3 deployment ramp	-1.0%
Net Blended IRR	XIRR on 10-yr cash flows	9.2%

Fees & Incentives: 1.5% annual management fee; 15% carried interest above 8% preferred return hurdle for Tranche A. Mezzanine and catalytic tranches receive pro-rata distributions per waterfall.

SCALABILITY & PATH TO MARKET RETURNS

CHECF is designed as a **standardized, repeatable asset class**. The "CHC Expansion Module," a 10-room clinic expansion costing ~\$3M with a 20% increase in patient volume and a 3–5-year payback, creates a template analogous to a Health REIT. Once the initial \$250M is validated, the model scales into a **\$2B+ institutional asset class**. The catalytic Tranche C layer can be progressively reduced in subsequent fund vintages as the unit economics are proven, moving toward a fully market-rate structure.

IMP ABC Framework: Impact Goals

A: Act to Avoid

15%
Reduction in preventable admissions per 1,000 residents

B: Benefit Stakeholder

100%
of relevant investments Medically Underserved Areas

C: Contribute Solutions

200+
New exam rooms; 50,000+ patients served yearly

STRESS TEST

ALL SCENARIOS CLEAR 7.5% Tr. A HURDLE

9.2% Base	8.6% MCO -20	8.3% 340B -25	8.9% Def 2.5	7.9% Combined	7.5% Floor
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IMPACT THESIS & MEASUREMENT

Most impact funds measure outcomes as an afterthought. CHECF measures them because they are the revenue mechanism. Our three KPIs map directly to our three yield sources: provider-to-population ratio improvement, preventable ER visit reduction, and pharmacy utilization growth. Every impact metric has a dollar sign attached to it.

Primary Impact Metric

1 : 3500 → 1 : 2000 ratio

PCP-to-resident ratio movement · single investor KPI

SDG	Target	KPIs & Metrics
3	3.8 Achieve universal health coverage	Avoided ER visits per clinic/year; % reduction in avoidable hospitalizations via value-based care.
9	9.1 Develop sustainable, resilient, and inclusive infrastructure	New exam rooms in Medically Underserved Areas; healthcare jobs created via facility expansion.
17	17.17 Encourage effective partnerships	\$ private capital mobilized per \$1 catalytic; % revenue growth from VBC / Shared Savings contracts.

KEY RISKS & MITIGATIONS

RISK	SCENARIO	MITIGATION
Medicaid Policy	State policy shifts reduce reimbursement rates	Diversify across 10+ states; secure floor guarantee contracts
Pharmacy Reform	340B Program reform lowers margins by 25%	340B revenue use as reserve buffer in lieu of debt service
Default Risk	CHC challenges increase default rates above 1.5% base case	Secure capacity building grants alongside capital