

## Prospective Payment System Proposed for QHCs under the ACA

On September 23, 2013, the Centers for Medicare & Medicaid Services (CMS) released a proposed rule to clarify the original language in the *Patient Protection and Affordable Care Act* (ACA) regarding developing a prospective payment system (PPS) for *Federally Qualified Health Centers* (QHC).<sup>1</sup> QHCs traditionally provide preventative and primary health services to underserved areas. Under the proposed rule, payments for services rendered to more than 21 million people at almost 9,000 QHC sites nationwide will receive an estimated 30% increase in payments beginning on October 1, 2014.<sup>2</sup> The new payment structure will include cost adjustments for geographic variation, and the higher costs associated with initial and annual Medicare visits will be transitioned throughout fiscal year (FY) 2015.<sup>3</sup> The estimated encounter-based per-diem base rate for the new PPS is \$155.90, an increase of 22-40% over prior upper limits for QHCs (rural: \$110.78, and urban: \$128). In addition to payment changes for QHCs, the proposed rule upholds the ACA's requirement that a beneficiary's copayment be no higher than 20% of the total payment.<sup>4</sup>

The Health Center Program that runs QHCs is administered by the Health Resources and Services Administration (HRSA). On September 13, the Department of Health and Human Services (HHS) announced that, in addition to the \$19 million in awards from the ACA to be utilized towards establishing 32 new health care delivery sites, another \$48 million will be given to HRSA to support ongoing operations and quality improvement activities at already established QHC sites.<sup>5</sup>

Other proposed changes not related to payment and cost schema include the approval for rural health clinics to contract with midlevel providers, e.g., physician assistants and nurse practitioners.<sup>6</sup> While ongoing debates between physician and midlevel provider organizations concern the relative risks of allowing certain midlevel providers to act as primary care practitioners (refer to related article from Health Capital Topics, Vol. 6, Issue 9), this regulation may benefit consumers in underserved medical areas affected by primary care physician shortages.<sup>7</sup>

The support and funding of QHCs is recognized as a key component to success for the ACA and healthcare reform. These programs are instrumental in outreach to

underserved medical communities in providing quality and affordable healthcare to consumers that otherwise may not be able to afford, or have access to, preventative and primary care services. As the implementation of various healthcare reform measures continues in the coming months and years, the role of QHCs should be continuously evaluated to determine their effectiveness in contributing to the ACA's goals and resulting benefits to consumers.

<sup>1</sup> Refer to "Medicare Program; Prospective Payment System for Federally Qualified Health Centers; Changes of Contracting Policies for Rural Health Clinics; and Changes to Clinical Laboratory Improvement Amendments of 1988 Enforcement Actions for Proficiency Testing Referral; Proposed Rule", by Centers for Medicare & Medicaid Services, Federal Register, Vol. 78, No. 184, September 23, 2013

<sup>2</sup> "Details for Title: CMS Proposes New Medicare Prospective Payment System (PPS) for Federally-Qualified Health Centers Beginning October 1, 2014", by Centers for Medicare & Medicaid Services, September 18, 2013, <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-Sheets/2013-Fact-Sheets-Items/2013-09-18-2.html> (Accessed October 27, 2013)

<sup>3</sup> "Details for Title: CMS Proposes a Medicare Prospective Payment System for Federally Qualified Health Centers", by Centers for Medicare & Medicaid Services, September 18, 2013, <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-Releases/2013-Press-Releases-Items/2013-09-18-2.html> (Accessed October 14, 2013)

<sup>4</sup> *Ibid*, Fact Sheet, Centers for Medicare & Medicaid Services, September 18, 2013

<sup>5</sup> "HHS Awards Affordable Care Act Funds for New Health Care Delivery Sites", by the Department of Health and Human Services, September 13, 2013, <http://www.hhs.gov/news/press/2013pres/09/20130913a.html> (Accessed October 27, 2013)

<sup>6</sup> *Ibid*, Fact Sheet, Centers for Medicare & Medicaid Services, September 18, 2013

<sup>7</sup> "Nurse Practitioners Seek Expansion in Scope of Practice", by Health Capital Consultants, Health Capital Topics, Vol. 6, Issue 9, September 2013



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#### HEALTH CAPITAL

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