

## CMS Issues Final Prospective Payment System for FQHCs

On April 29, 2014, the *Centers for Medicare & Medicaid Services* (CMS) released a final rule introducing a prospective payment system (PPS) for *Federally Qualified Health Centers* (FQHC).<sup>1</sup> The final rule, serving as the product of a *Patient Protection and Affordable Care Act* (ACA) directive to reform previous payment methodologies to FQHCs, creates an encounter-based per diem rate that increases the overall bundled payment made to an FQHC per patient visit.<sup>2</sup>

As mentioned in a previous Health Capital Topics article, FQHCs traditionally provide preventative and primary health services to individuals in medically underserved areas (MUA),<sup>3</sup> including but not limited to:

- (1) Children's eye and ear examinations;
- (2) Immunizations;
- (3) Prenatal and post-partum care;
- (4) Cholesterol screening;
- (5) Clinical psychology and social worker services;
- (6) Tuberculosis testing; and,
- (7) Clinical breast exams and mammography referrals for women.<sup>4</sup>

Using grant funds through Section 330 of the *Public Health Service Act* as well as Medicare reimbursement dollars, over 9,000 FQHC sites rendered these basic healthcare services for over 21 million people in the United States.<sup>5</sup> These centers, commonly organized as community health centers; migrant health centers; or, public housing primary care centers; have "*become an integral component of the Nation's health care safety net system.*"<sup>6</sup>

The final rule issued by CMS set the base rate of payment to FQHCs for their provided medical services to \$158.85, an upward adjustment from its September 2013 proposal of \$155.90.<sup>7</sup> This base figure is adjusted based on the FQHC's geographic location to determine the final PPS payment received by the FQHC.<sup>8</sup> Additionally, the final PPS payment received by the FQHC may also be adjusted based on whether the patient:

- (1) Is a new patient;
- (2) Is receiving an initial preventive physical examination (IPPE); and/or,
- (3) Is receiving an annual wellness visit (AWV).<sup>9</sup>

If the patient is new to the FQHC, receiving an IPPE, or receiving an AWV, the FQHC will be reimbursed at a 34% higher rate than its regular, geographically-

adjusted PPS rate.<sup>10</sup> Notably, this PPS payment structure does not include payment for influenza and pneumococcal vaccines; these vaccines will continue to be reimbursed at 100% of all reasonable costs incurred by the FQHC for providing these services.<sup>11</sup>

The final rule also sets the formula to calculate beneficiary coinsurance for each FQHC visit. Under the new FQHC PPS, which complies with ACA coinsurance requirements, a beneficiary must pay a coinsurance of 20% on the *lesser* of the following two amounts:

- (1) The FQHC's actual charges for services provided; or,
- (2) The final PPS payment to the FQHC by Medicare.<sup>12</sup>

Establishing which of the above two amounts the Medicare beneficiary is responsible for is determined by the costs reported to Medicare by the FQHC. However, Medicare beneficiaries will not sustain any coinsurance responsibility for preventive services furnished to them by the FQHC.<sup>13</sup> This coinsurance rule does not apply to services outside the scope of primary or preventive care services, such as a referral to a hospital for specialist treatment.<sup>14</sup>

The new FQHC PPS marks a significant shift from its current reimbursement methodology, as the final rule increases base payments from the current reimbursement rates of \$111.67 and \$129.02 for rural and urban FQHC locations, respectively.<sup>15</sup> With the increase of the base PPS to \$158.85, and annual adjustments to be implemented in the future, CMS estimated that the FQHC PPS will increase Medicare payments to FQHCs nationally by \$170 million in 2015, \$250 million in 2016, and \$300 million by 2019.<sup>16</sup> While noting that beneficiary coinsurance is expected to rise due to the increase in PPS payment, CMS noted it lacked sufficient data to accurately estimate the amount of the potential increase in beneficiary coinsurance.<sup>17</sup>

CMS will begin implementing the FQHC PPS on October 1, 2014, joining those other ACA reforms already enacted.<sup>18</sup> As the implementation of the FQHC PPS begins, and is assessed along with other ACA reforms, the role of FQHCs should be continuously evaluated to determine their effectiveness in contributing to the goals of the ACA and resulting benefits to beneficiaries.

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- 1 "Medicare Program; Perspective Payment System for Federally Qualified Health Center" Federal Register, Vol. 79, No. 85, (May 2, 2014), p. 25436.
  - 2 "Fact Sheets: Final Policy and Payment Changes for the New Medicare Prospective Payment System (PPS) for Federally Qualified Health Centers Beginning October 1, 2014," Center for Medicare and Medicaid Services, Accessed at <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2014-Fact-sheets-items/2014-04-29.html> (Accessed 6/3/14).
  - 3 "Prospective Payment System Proposed for QHCs under the ACA," Health Capital Topics, Vol. 6, No. 10, October 2013.
  - 4 "Preventive Primary Services" 42 CFR § 405.2448 (1996).
  - 5 CMS, 2014.
  - 6 FR, May 2, 2014, p. 25439.
  - 7 FR, May 2, 2014, p. 25455.
  - 8 *Ibid.*
  - 9 *Ibid.*
  - 10 *Ibid.*
  - 11 FR, May 2, 2014, p. 25449.
  - 12 FR, May 2, 2014, p. 25459.
  - 13 *Ibid.*
  - 14 CMS, 2014.
  - 15 *Ibid.*
  - 16 FR, May 2, 2014, p. 25471.
  - 17 FR, May 2, 2014, p. 25472.
  - 18 CMS, 2014.



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