PUBLICATION

CMS Proposes FQHC Prospective Payment System [Ober|Kaler]

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On September 23, 2013, CMS published a proposed rule to overhaul the payment methodology for federally qualified health centers (FQHCs). The proposed rule will change FQHC reimbursement from an all inclusive rate (AIR), cost-based system to a prospective payment system (PPS), as required by the Affordable Care Act. **Comments on the proposed rule are due by November 18, 2013.**

CMS proposes an encounter-based, per diem Medicare PPS for all FQHCs effective October 1, 2014. The base payment rate in the first year is estimated to be $155.90 per beneficiary per day. This base rate will be based on aggregate FQHC reported costs and will be adjusted for geographic differences. As proposed, the PPS payment rate will be increased by the percentage increase in the Medicare Economic Index (MEI) after the first year. In subsequent years, the PPS rates will be increased by either the MEI or the percentage increase in a market basket of FQHC goods and services. CMS will use the MEI if the FQHC market basket adjustment has not been determined by regulation. Currently, CMS is considering the types of cost data that would facilitate the development of an FQHC market basket. CMS estimates the proposed FQHC PPS will increase total Medicare payments to FQHCs by 30 percent in the first year.

Additionally, CMS proposes a 1.33 rate adjustment for new FQHC patient visits, and for Medicare beneficiary's initial preventive physical examination (IPPE). CMS recognized that new patient visits and IPPEs are generally more costly and resource intensive.

CMS also proposes to change some of the current administrative policies regarding FQHC reimbursement. Under the AIR system, FQHCs can bill for more than one visit if an illness or injury occurs subsequent to the patient's initial visit or when mental health, diabetes self-management/medical nutrition therapy, or the IPPE are furnished on the same day as the initial medical visit. CMS has proposed to eliminate these exceptions. CMS explained that this approach is not only consistent with the PPS payment methodology, but would further simplify billing and payment procedures. CMS stated that they do not anticipate the proposed policy to significantly impact FQHCs because FQHCs currently rarely bill under this exception. However, CMS specifically invited comment on the proposed measure, because it may be unaware of the impact of these changes, particularly with regard to the provision of mental health services.

Because many FQHCs provide more services than just those covered under the all-inclusive rate, the below table summarizes the proposed changes for FQHC reimbursement:

Payment Policies	Current Practice	Proposed Rule
Basis for payment for an encounter:	AIR: Cost-based reimbursement	PPS: National, encounter-based rate for all FQHCs; rate adjustments for geographic differences
New patient or IPPE:	No rate adjustment provided.	1.33 rate adjustment for new FQHC patients and IPPE visits

Ability to bill for additional visits on the same day:	Permitted when an illness or injury occurs subsequent to the initial visit, and when mental health, diabetes, self management/medical nutrition therapy, or IPPE are furnished on the same day as the medical visit	No longer permissible; FQHCs are limited to one encounter payment per day.
Beneficiary coinsurance calculations:	Calculated based on the FQHCs charge	The lesser of 20% of the actual charge or the PPS rate
Coinsurance waiver for preventive services:	Beneficiary coinsurance is waived for eligible preventive services. For FQHC visits that include preventive and non-preventive services, the proportional amount of coinsurance that should be waived for the preventive services is calculated based on FQHC reported charges.	Beneficiary coinsurance is waived for eligible preventive services. For FQHC visits that include preventive and non-preventive services, the proportional amount of coinsurance that should be waived for the preventive services is calculated based on the reimbursement rate under the Medicare physician fee schedule.
Beneficiary deductible	FQHC services not subject to annual deductible	Unchanged
Laboratory tests and technical components of diagnostic services	Billed separately to Part B (not as part of the all inclusive rate)	Unchanged
Administration and payment of influenza and pneumococcal vaccines	Billed separately; paid at 100 percent of reasonable costs through the FQHCs cost report	Unchanged
Medicare Advantage Organizations (MAO)—FQHC Supplemental Payments	FQHCs that contract with a MAO and are paid less than the AIR or national per visit limit receive CMS supplemental payments.	FQHCs that contract with a MAO and are paid less than the PPS receive CMS supplemental payments.

Ober|Kaler's Comments

With the proposed increase in reimbursement, FQHCs' biggest hurdles under the PPS may very well be logistical, and not financial, in nature. For example, claims processing systems will require changes to accommodate the new payment methodology. In its proposed rule, CMS stated that it is considering revisions to the claims processing system that would reject claims in which qualifying visits describe a service outside of the FQHC benefit and/or include line items for technical components not paid as part of the FQHC PPS.

Changes to FQHCs' cost reporting requirements may also be afoot. CMS noted that it is considering revisions to the cost reporting forms so that it may capture additional information to improve the quality of CMS' cost estimates, including a FQHC's overall and Medicare-specific cost-to-charge ratio. As noted previously, CMS is reviewing the types of cost data that may facilitate the potential development of a FQHC market basket that could be used in base payment updates after the second year of the PPS. CMS is further considering making FQHCs subject to periodic cost report audits like other institutional providers.

CMS has provided additional information in its CMS press release and CMS fact sheet. Comments to the proposed rule must be received no later than 5 p.m. on November 18, 2013.