DEPARTMENT OF HEALTH CARE SERVICES
NOTICE OF GENERAL PUBLIC INTEREST

DECEMBER 30, 2016

PROPOSED STATE PLAN AMENDMENT 17-001 CLARIFYING REIMBURSEMENT POLICIES FOR FEDERALLY QUALIFIED HEALTH CENTERS (FQHC) AND RURAL HEALTH CLINICS (RHC) AND ADDING MARRIAGE AND FAMILY THERAPISTS AS A NEW FQHC/RHC BILLABLE PROVIDER

This notice is to give information of general public interest about proposed changes to the reimbursement policies for Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs), and about adding marriage and family therapists (MFTs) as a new FQHC/RHC billable provider. The Department of Health Care Services (DHCS) intends to submit a State Plan Amendment (SPA #17-001) proposing the following changes, effective January 1, 2017:

ADDITION OF MARRIAGE and FAMILY THERAPIST AS A MEDI-CAL PROVIDER

On September 25, 2016, Assembly Bill (AB) 1863 was approved by the Governor. AB 1863 adds Marriage and Family Therapists (MFTs) to the list of health care professionals whose services are reimbursable on a per visit basis at FQHCs and RHCs. SPA #17-001 will propose to add MFTs as a new billable provider for FQHCs and RHCs. MFTs provide psychological services to Medi-Cal beneficiaries. DHCS does not anticipate any impact to annual aggregate expenditures with the addition of MFTs as a billable provider type. The proposed effective date of this policy is January 1, 2017.

CHANGE IN SCOPE OF SERVICE REQUEST

The proposed changes relate to the requirements for a Change-in-Scope-of-Service Request (CSOSR), and clarify what constitutes a change-in-scope-of-service under the California State Plan, Attachment 4.19-B, Section K. Specifically, SPA #17-001 will propose the following:

1. A requirement that a CSOSR document the results of a full fiscal year of the change. If a covered benefit is added in mid-fiscal year, the provider must wait for a full fiscal year to submit a CSOSR.
2. A requirement that if a FQHC or RHC begins to bill for marriage family therapist and/or dental hygienist services as separately billable visits, the provider must submit a CSOSR that includes 12 months of the activity.
3. A requirement that the application of California State Plan, Attachment 4.19-B, Section K.1(a) be a comparison between the fiscal year of change and the preceding fiscal year.

4. Definition of change in the type, intensity, duration, and amount of services of the California State Plan, Attachment 4.19-B, Section K.1(c).
5. A requirement that home office allocations are applied to all benefitting FQHCs or RHCs regardless of when their Prospective Payment System (PPS) rate was last established.
6. Include in California State Plan, Attachment 4.19-B, Section K the requirement that once a CSOSR is submitted, an interim rate will be calculated within 90 days, and the audit will be performed in accordance with Welfare and Institutions Code, Section 14170.

The estimated increase or decrease in the aggregate expenditures cannot be calculated. It will be determined by the number of FQHCs or RHCs that file a CSOSR request, the amount the PPS rate is increased based on the audit, and total number of visits billed

RATE SETTING METHODOLOGY

DHCS is proposing the following changes in order to ensure that the PPS rates of FQHCs and RHCs reflect reasonable cost per visit and that covered benefits are reimbursed accurately.

FOUR WALLS

The "Four Walls" policy refers to a FQHC's or RHC's established place of business or address, as identified on the DHCS Provider Master File, where covered services are provided. SPA #17-001 will propose to clarify the payment methodology that a FQHC and RHC must use in order to bill the PPS rate when medical, dental and behavioral health services are rendered outside of the "Four Walls" of the clinic.

DHCS is unable to give an estimate of the increase or decrease in annual expenditures at the time of this notice. The actual number of visits rendered outside the four walls are not known. However, the average PPS rate is $178 and fee-for-service rate is $50 for medical services and $30 for behavioral health services, which is a difference of $128 to $148 per visit, respectively.

THREE COMPARABLE CLINICS

The SPA will propose to clarify requirements used to identify comparable clinics for purposes of establishing the initial PPS rate for new FQHCs or RHCs.

The changes in the SPA will clarify the requirements that DHCS currently uses to identify comparable clinics when establishing a new FQHC's and RHC's initial PPS rate. It will include such items as the following:

1. Define a same or adjacent area
2. Define a reasonably similar geographic area

3. Require that free-standing, provider based, mobile, consolidated clinic, school based, etc., must choose the same types of clinics to be considered comparable
4. List the services that comparable clinics must have in common with the applicant clinic to be considered comparable
5. Define what would be considered comparable total visits
6. Define what would be considered comparable full-time equivalents
7. Describe what to do when three comparable clinics cannot be identified
8. Require the FQHC or RHC to report FTE's by provider type and projected visits and set the PPS rate based on the reported information. After two years, require the provider to submit actual verifiable documentation of the FTE's by provider type, and the actual visits occurred. The differences will be reconciled to determine if an adjustment to the PPS rate is required.

There is no expected increase or decrease in annual aggregate expenditures.

PRODUCTIVITY STANDARDS

In accordance with Section 1902(bb)(4) of the Social Security Act, DHCS will propose to apply minimum productivity standards when setting the initial PPS rate. The minimum productivity standards will also be applied when PPS rates are set for change-in-scope-of-service requests. Minimum productivity standards for physicians (i.e., contracted or employed), nurse practitioners, physician assistants and midwives (i.e., contracted or employed) will be proposed.

This change is not expected to increase or decrease annual aggregate expenditures.

90 DAY REQUIREMENT

Pursuant to the Health Resources and Services Administration (HRSA), Policy Information Notice (PIN) 2008-01, Section VI. B., Page 27, FQHCs that have an approved scope of project that may generate a FQHC Medicaid reimbursement, then the FQHC must notify the State Medicaid agency within 90 days following HRSA's approval. SPA #17-001 will propose to allow DHCS to set the effective date of PPS rate reimbursement at the date that an initial rate setting application for a new clinic is submitted to DHCS if the application is not submitted within 90 days of receiving FQHC or RHC status.

The estimate of any expected increase or decrease in annual aggregate expenditures cannot be determined.

ADMINISTRATIVE COSTS

SPA #17-001 will propose a reasonable administrative cost limitation for initial rate setting audits and change-in-scope-of service audits. For change-in-scope-of-service audits, this limitation will replace the California State Plan, Attachment 4.19-B, Section K.6. Administrative costs are the types of costs that are included in the "FQHC/RHC

Overhead-Administrative Costs" section of the Rate Setting and Change-in-Scope-of-Service Request Medi-Cal Cost Reports. The proposed changes will be to limit administrative costs to the following:

1. Limit administrative costs to a percentage of total costs in determining reasonable costs.
2. Limit allowable executive compensation to the California Employment Development Department Quarterly Surveys.

DHCS is unable to give an estimate of the annual increase or decrease in annual expenditures at the time of this notice. The impact on the expenditures will be dependent upon the number of FQHCs and RHCs that file Rate Setting and Change-of-Scope-of-Service Requests, the amount of administrative costs and executive salaries excluded from the PPS rate calculation due to the limitations, and the number of visits billed.

PUBLIC REVIEW AND COMMENTS

Once available, and prior to submission to the Centers for Medicare and Medicaid Services (CMS), a draft copy of proposed SPA #17-001 will be available for public input at:
http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pro_SPA.aspx

Upon submission to CMS, a copy of the proposed SPA #17-001 will be published at:
http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending_2017.aspx

If you would like to view the SPA in person, once available, please visit your local county welfare department. You may also request a copy of the proposed SPA #17-001 from the mailing address or email below.

Any written comments may be sent to the below mailing address, or may be emailed to PublicInput@dhcs.ca.gov.

Department of Health Care Services
P.O. Box 997413,
Sacramento, CA 95899-7413
Attention: Primary Rural, and Indian Health Division

Please indicate SPA #17-001 in the subject line or message. For a copy of submitted public comments to SPA #17-001, please send a request in writing to the address or the email inbox identified above.