

FQHC/RHC INITIAL RATE SETTING PROCESS: COMPARABLE CLINICS

Presented by:
Jim Burkhardt, FQHC/RHC Section Chief
Allison Clinton, Health Program Auditor IV

What are Comparable Clinics?

The Welfare and Institutions Code section 14132.100(i)(1)(A) states that the PPS rate is the average of three comparable clinics located in the same or adjacent area with a similar caseload.

What does DHCS consider the “same or adjacent area”?

- DHCS considers clinics located within the **same zip code** and/or **adjacent zip codes** of the applicant FQHC/RHC to be the same or adjacent geographical area. However, if no comparable clinics can be identified in the zip code or adjacent zip code, DHCS will first consider clinics within the **same county** as comparable. If no comparable clinics can be identified in the same county, then DHCS will consider clinics located in an **adjacent county** of the applicant clinic.

County Median Rate

How are the median rates by county being used?

- The median rates by county will be used as a **reasonableness test**. If the applicant clinics' requested comparable PPS rate is higher than the median rate for the county, the applicant clinic's selections will be reviewed closely to ensure comparability. However, this will not automatically result in the rejection of the comparable selected, nor will identifying clinics that are lower than the county median rate automatically result in their acceptance.

County Median Rate (Continued)

Which clinics are included in the county median rate?

- Freestanding FQHC's, which do not include clinics with an interim rate, hospital based clinics or county owned clinics.

Identifying Comparable Clinics

What is DHCS' process for identifying comparable clinics within the same or adjacent zip codes or within the same or adjacent county?

- The comparable clinics will be identified based on the **closest** distance from the applicant FQHC/RHC. DHCS will determine the closest distance in the following order: first, the closest **within the zip code**; second, then the closest within the **adjacent zip codes**; third, the closest **within the county**; and last, the closest within the **adjacent counties**.

Adjacent County/Zip Code

What is an adjacent county or zip code?

- It would be one that **borders** the county or zip code where the applicant FQHC/RHC is located.

Similar Caseload Determination

Will current services be used when determining similar caseload of the 3 comparable clinics?

- Yes, current services, current FTEs and current visits of the comparable clinics are to be used as stated in the **most recent OSHPD** reports. Also, DHCS may **contact the clinics** identified as a comparable for any needed clarification or verification

What Will DHCS do if They Disagree With One or All the Comparable Clinics Selected?

- DHCS will notify the contact person designated on the application by **email** which clinics were rejected and **why** and **identify replacement** clinics. DHCS' replacements will be the closest clinics that it determines are comparable. The contact person will be given time to review the replacement clinics and respond accordingly.

What if a Comparable Clinic Cannot be Found in the Same or Adjacent Area?

- The Welfare and Institutions Code section 14132.100(i)(1)(B) states that if a clinic with a similar caseload cannot be found in the same or an adjacent service area the PPS rate can be calculated using clinics with a similar caseload that are located in **“a reasonably similar geographic area with respect to relevant social, health care, and economic characteristics.”**
- If a comparable clinic cannot be identified in the same or adjacent area, the applicant clinic can go beyond it, but the comparable(s) identified **must take into consideration social, health care and economic characteristics.** For example, an applicant clinic located in Sacramento that must look for a comparable clinic outside of the same or adjacent area of Sacramento, should not be looking to large metropolitan areas like San Francisco, Los Angeles, San Diego, etc.

What Will DHCS Use to Identify a Reasonably Similar Geographic Area?

- We use <http://www.city-data.com/> to search for county statistics. We identify counties that have a reasonably similar **cost of living index, rural/urban population percentage and median income** as the applicant's county. Once we identify a county that is reasonably similar with the applicant's county, we then look for clinics within that county that have a similar caseload as the applicant clinic. Thus, any clinic that we have identified as a comparable that is not in the same or adjacent county of the applicant clinic, would have a similar caseload and **reasonably similar cost of living indexes, rural/urban population percentages and median income** when compared to the applicant clinic.

Parameters for Similar Caseload

What parameters will be used to determine similar caseload?

- Comparability will be based on cores services, FTE's, visits, and other billable provider types.

What are Core Services? How Will Core Services be Used to Determine if Clinics?

- Core services are **medical, dental, and billable behavioral health**. The clinic seeking a comparable PPS rate would have to offer the exact same core services. For example, an applicant clinic that provides medical and dental services must identify a clinic that also provides only medical and dental services as a comparable. If an applicant clinic identified a clinic that rendered medical, dental and behavioral health services, it would not be considered a comparable.
- If an applicant clinic has an **onsite pharmacy, onsite laboratory and/or provides onsite radiology**, the comparable clinics must also provide the same onsite services or they will not be considered comparable.

What if a FQHC/RHC has not Added all Services and Elects the Comparable Method?

- The Welfare and Institutions Code section 14132.100(i) states comparable clinics are those with a “similar caseload.” The **statute does not authorize** the use of projections when the PPS rate is determined using the average of 3 comparable clinics. FQHC’s/RHC’s electing to use a comparable PPS rate will have their PPS rate based on the services that they provide at the **time their application is submitted.**

DHCS Will Verify Services

- Any FQHC/RHC that elects the comparable methodology and reports that they are rendering dental and/or behavioral health services on the Summary of Services will be **required to document** that they were providing the dental and/or behavioral health services at the time they submitted their application.

Type of Documentation

- The following is the type of documentation that would be required to show that dental and/or behavioral health services were rendered at the time the application was submitted:
 - Employment contracts
 - Timecards
 - Summary of visits rendered by practitioner
 - Medical records
 - Other documentation that shows the services were provided at the applicant's physical location

Is There a Specific Time Period That the Services can be Added, i.e. 3, 6 or 9 months After the Application is Submitted?

- No. The PPS rate will be calculated based on the services provided **at the date the application** was submitted and the election of the comparable methodology. **There are no exceptions.**

Can a FQHC/RHC Change From the Comparable Methodology to Actual and Allowable Costs Per Visit?

- Yes. DHCS will allow any FQHC/RHC to change from comparable to actual
- **DHCS does not allow a change from actual to comparable**



Time For Questions

Full-Time Equivalents (FTEs)

How will FTE's be used to determine if clinics are comparable?

- At first, FTE's will be compared in **total** to determine if there is a similar caseload. Large variances in total FTE's between an applicant clinic and any clinic identified as a comparable will result in a rejection of the comparable.
- FTE's will also be compared **by billable provider type**, but they are not expected to be a mirror image. However, FTE's for physicians, dentists and behavioral health providers should not have significant variances. NP's and PA's will be considered interchangeable when evaluating for comparability.

FTE's Hypothetical Example

FTE TYPE	Applying Clinic	Proposed Clinic 1	Proposed Clinic 2	Proposed Clinic 3
Physician	2.0	3.0	8.0	3.0
Dentist	1.0	4.0	1.0	.5
NP	4.0	1.0	4.0	0.0
PA	0.0	5.0	0.0	6.0
Total	7.0	13.0	13.0	9.5

Clinic 1 and 2 would be rejected because they are not comparable. **Clinics 1 and 2 have four times as many dentists and physicians**, respectively; resulting in the FTE's being almost twice as much. Clinic 3 would be accepted as a comparable assuming all other criteria was met.

Total Visits

How will total visits be used to determine if clinics are comparable?

- Visits are analyzed in **total first** and then by **provider type**. Ideally, clinics with similar caseloads would have a similar amount of visits. A large variance in the total number of visits will not be accepted as a comparable. Usually large variances in FTE's will also result in a large variance in total visits.

Total Visits Hypothetical Example

FTE Type	Applying Clinic	Proposed Clinic 1	Proposed Clinic 2	Proposed Clinic 3
Physician	8,400	9,600	30,000	11,400
Dentist	1,500	3,800	1,200	700
NP	8,800	2,200	7,500	0.0
PA	0.0	9,500	0.0	9,500
Total	18,700	25,100	38,700	21,600

Clinic 1 and Clinic 2 would not be comparable based on large variances in the total number of visits. Clinic 3 would be considered comparable assuming all other criteria was met.

Large Variances in Provider Type Visits

Would DHCS reject a clinic identified as comparable even if it had a similar number of total visits to the applicant clinic but there were large variances between the number of visits of each provider type?

- Yes. DHCS will look at both total visits and visits by provider type to determine comparability. A clinic with a similar caseload should not have large variances in the quantity of visits rendered by each provider type. If they do, they don't have a similar caseload.

Large Variances in Provider Type Visits Hypothetical Example

FTE Type	Applying Clinic	Proposed Clinic 1	Proposed Clinic 2	Proposed Clinic 3
Physician Visits	12,000	5,000	6,000	10,000
Dental Visits	1,200	2,400	7,000	2,600
LCSW	1,000	6,000	3,000	300
Total Visits	13,200	13,400	16,000	12,900

All three clinics proposed have a similar total number visits, but Clinic 1 and Clinic 2 have large variances between the provider types and would be rejected. Clinic 3 would be accepted as comparable assuming all other criteria was met.

Other Billable and Non Billable Provider Types

How will Other Billable and Non Billable Provider Types be used to determine if clinics are comparable?

- **These provider types will be considered in the aggregate.** There should not be large variances in other billable and/or non-billable provider types such as podiatrist, optometrist, chiropractors, CPSP, MFT's, etc. between the applicant clinic and the comparables.

Other Billable and Non Billable Provider Types Hypothetical Example

FTE Type	Applying Clinic	Proposed Clinic 1	Proposed Clinic 2	Proposed Clinic 3
Physician	2.0	2.5	1.0	3.0
Dentist	1.0	1.5	1.0	1.5
NP	5.0	.5	4.0	2.0
PA	0.0	3.5	0.0	2.0
Other Billable / Non Billable	1.5	2.5	6.0	3.0
Total	9.5	10.5	12.0	11.5

Due to the fact that the Other Billable / Non Billable FTE's of Clinic 2 are a **substantial portion of their total FTE count**, it would not be a comparable to the applicant clinic, which has a much smaller ratio of Other Billable / Non Billable FTE count. The remaining two clinics would be accepted as comparable assuming all other criteria was met.

Clinics Must Be The Same

May a RHC clinic use an FQHC clinic in the 3 comparable clinics method?

- No. The type of clinic must be the same when using 3 comparable clinics methodology for initial rate setting. This includes Rural Hospital Based clinics as they cannot be used for free standing RHCs.

Single vs. Consolidated Clinics

Can a single clinic that belongs to a consolidated group of clinics with a consolidated PPS rate be used in the three comparable clinics selection?

- No. This is not a similar caseload since the clinic belongs to a group of multiple clinics and services.
- Also, this will pose a problem if the consolidated rate included the cost of **core services** that are not offered at the applicant clinic's, such as pharmacy, radiology, etc.

Comparable Clinic with PPS Rate Based on Comparable Clinics

When selecting three comparable clinics, am I allowed to use a comparable clinic that had their rate set using three comparable clinics?

- Yes. However, they must adhere to the criteria discussed previously.

Dental Hygienist Services and Comparable Clinics

My clinic bills for dental hygienist services, is it required for me to select comparable clinics that have the same billing practices for dental hygienist services?

- Yes

Option If No Comparable Clinics Exist

What happens if there are no clinics that are comparable to the applicant clinic?

- Clinics have the option to **complete a projected cost report to help set the clinic's interim PPS rate**. The department will review the projected cost report for reasonableness and allowable costs. The department will establish an interim PPS rate that is 90% of projected allowable costs.

Verification of Summary of Services Reported Data

Will DHCS verify the applicant clinic's projected FTE's and visits reported on the Summary of Services, which is used to establish a comparable PPS rate?

- Yes. The Summary of Services is a report that is subject to review by DHCS. DHCS will request verifiable documentation of how the reported visits and FTE's were determined as deemed necessary to ensure the PPS rate calculated is comparable.
- **As stated in a previous slide, DHCS is requiring documentation that dental and behavioral health services were provided at the date of the application**

Resources

- You may find the FQHC and RHC Initial Rate Setting Application Package, Form DHCS 3106 and instructions on our forms webpage:
<http://www.dhcs.ca.gov/formsandpubs/forms/Pages/AuditsInvestigationsForms.aspx>
- If you have any questions, please send email to clinics@dhcs.ca.gov



TIME FOR QUESTIONS