



## **Statement of the National Association of Community Health Centers**

### **Medicare Payment Advisory Committee January 10 - 11, 2006**

#### ***Public Comment Delivered on the Adequacy of Medicare Payment to Federally Qualified Community Health Centers***

Mr. Chairman, members of the Commission, Executive Director Miller, MedPAC staff, I am Andrea Maresca and I am Associate Director of Medicare and Medicaid Regulatory Affairs for the National Association of Community Health Centers.

I am here today because the topics on your agenda yesterday addressed payment adequacy to a range of providers, but have left out a key category of providers – community health centers. We appreciate the opportunity to raise with you the impact of the current Medicare payment methodology on federally qualified community health centers, or FQHCs.

Health center patients comprise the most vulnerable populations in America today -- persons who, even when insured, remain isolated from traditional forms of medical care because of where they live and who they are, and they frequently have far greater levels of complex health care needs.

Briefly, our own analysis of 2003 cost report data indicates that the cost per visit at 75% of existing health centers is at or above the Medicare cap. In the aggregate health centers are losing over \$50 million each year, with some of the largest Medicare sites each losing over \$1 million. These financial losses place a significant burden on already strained safety net providers.

NACHC believes this issue is appropriate for MedPAC to address.

First, when it was initially applied by CMS, the FQHC payment cap was based on the data of rural health clinics, providers that have a different cost structure than the more comprehensive set of services provided by FQHCs. We now have more than 12 years worth of FQHC-specific cost information that could be used to rebase the payment cap to reflect those vital differences.

Second, although new Medicare services have been added since the payment cap was created and these services are considered “allowable costs” for the purpose of a Medicare cost report, the cap has not been adjusted to accommodate these changes.

Finally, the inflation factor used to adjust the payment cap is adjusted by the Medicare Economic Index (MEI), which measures physician costs and does not incorporate the other, more comprehensive services provided by FQHCs, including mental health, nurse-midwifery, and social worker services.

Health centers are important providers of care for the elderly and near-elderly, and as such, play an important role in ensuring continuity of care that improves health outcomes while reducing costs. On behalf of the health centers, I urge you to undertake a review of the current methodology and recommend ways to modernize and improve the FQHC Medicare payment cap to ensure that the cap is fair and reasonable and does not hinder health centers’ ability to provide needed care in their communities.

NACHC would be happy to work with you and the Commission staff, and again, thank you for your consideration of this issue.