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Community Health Centers



America's Voice for Community Health Care



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# Medicaid PPS 101

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# America's Voice for Community Health Care

## The NACHC Mission

To promote the provision of high quality, comprehensive and affordable health care that is coordinated, culturally and linguistically competent, and community directed for all medically underserved people.

The Basics of Medicaid and Health Centers

History of Medicaid FQHC PPS

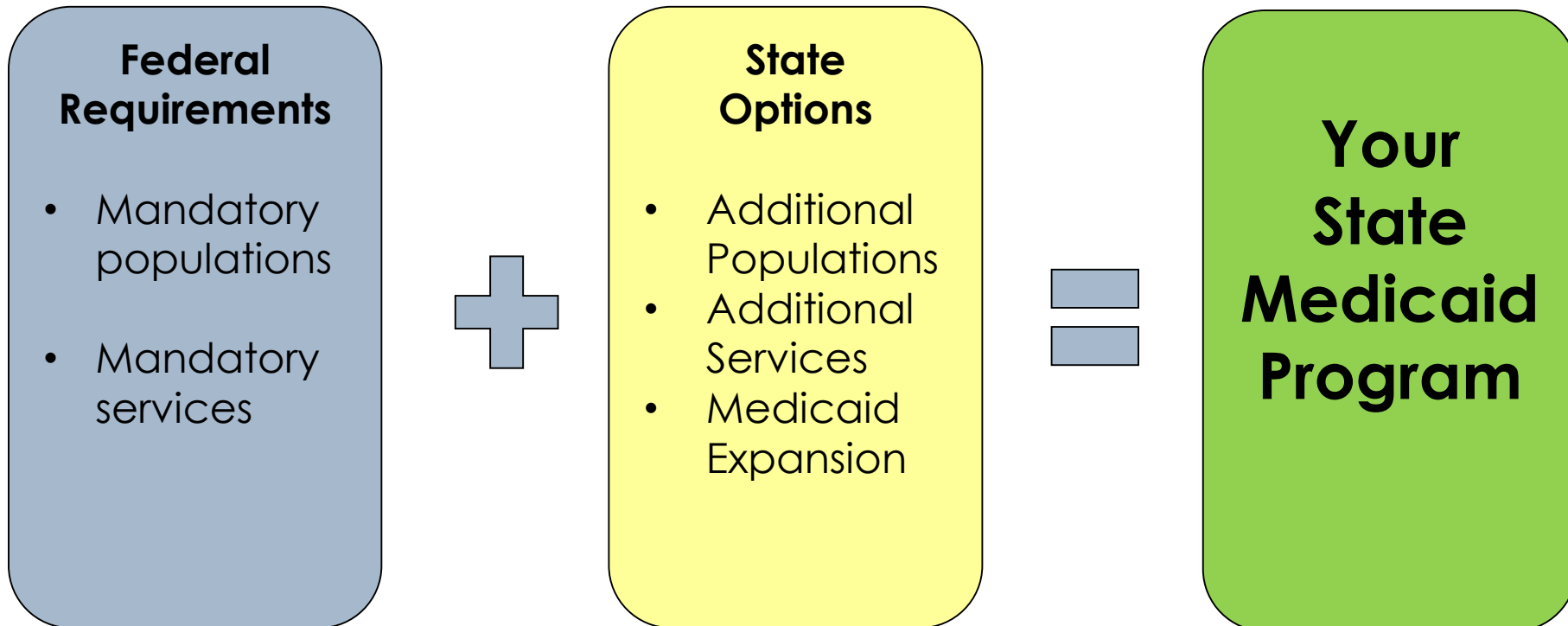
The Mechanics of FQHC PPS

Common FQHC PPS Myths

## What is Medicaid?

- A health care program that assists **low-income families or individuals** in paying for health care costs
- A joint **federal and state** partnership
  - **FMAP**: Federal Medical Assistance Percentage
- May go by a different name in your state
- Covers **72 million beneficiaries** nationwide

## What is Medicaid?



## Medicaid Buzz Words

- **Centers for Medicare and Medicaid Services (CMS):** the Federal agency responsible for the Medicare and Medicaid programs.
- **State Plan:** The State's official document, on file with CMS, outlining how it implements its program consistent with Federal requirements.
- **State Plan Amendment (SPA):** a revision to a State's Medicaid program, usually used to change "administrative" aspects of a program
- **Medicaid Waiver:** an opportunity for a state to waive federal requirements, in an effort to explore alternatives to improve Medicaid or CHIP. There are different types - e.g., 1115, 1915(b) - with different rules.

## Medicaid Buzz Words

- **Block Grant:** a federal grant to the states to run its Medicaid program, usually allowing the state to set the rules of the program.
- **Per Capita Cap or Per Capita Allotment:** a set amount of funding that the federal government will spend per Medicaid beneficiary, allowing the state to set the rules of the program.



## What is a Health Center?

- **Federally Qualified Health Center (FQHC):** A CMS term that includes all Section 330 health centers (both grantees & look-alikes), plus tribal and Urban Indian clinics.
- **Community Health Center (CHC):** a term found in the Public Health Service Act, typically used to refer to health centers receiving 330 grant funding.
- **All CHCs are FQHCs, but not all FQHCs are CHCs**

## What is a Health Center?

- Medicaid law **requires states** to:
  - **Cover FQHC services**
  - **Pay for these services** using a specific system
- Medicaid beneficiaries make up **nearly half** of all health center patients.
  - Health centers serve **1 in 6 Medicaid beneficiaries** nationwide

## What is the FQHC Prospective Payment System (PPS)?

- Congress created the FQHC PPS methodology in the **Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) of 2000.**
- A **consistent and predictable Medicaid reimbursement** ensures that FQHCs can appropriately use their **grant funds to care for the uninsured.**
- The FQHC PPS is **essential** to health center's delivery of **high quality, cost effective care.**

## What is the FQHC PPS?

- **Single, bundled rate** covers all of the services and supplies in a single visit
  - What is included?
  - What is not included?
- Alternative to paying under the fee schedule

## How is the PPS calculated?

- Initial FQHC PPS rate was established by **averaging reasonable costs**
  - Calculated at **each health center**
  - Serves as a **baseline** payment

## Mechanisms for Updating the PPS Rates

- FQHC PPS rates are **updated annually** by Medicare Economic Index (MEI) or by a state-specific annual update mechanism.
- Required to update with any **change in scope** of services, but many states do not have a process in place for these updates.
- Today, FQHC PPS rates reflect only **82 percent of health center costs**.

## FQHC PPS Wrap Around Payment

- Used in Medicaid Managed Care
- States are required to **make up the difference between MCO rate and PPS**, ensuring health centers receive the full PPS rate
- Some states have gone to an “**upfront wrap**” approach. A health center must fully understand all parameters under this methodology.

## Alternative Payment Methodologies (APM)

- A state may use an APM to implement a non PPS methodology, as long as:
  - total reimbursement is **at least equal to the PPS rate**
  - each participating FQHC agrees
- Allows for **state flexibility** and FQHC participation in **state initiatives**, like **payment reform or other innovative models**
- Currently used in 20 states



## Common Myths about the FQHC PPS

Health centers receive cost based reimbursement.

The PPS helps FQHCs pay for caring for the uninsured.

Health centers are not efficient and are “too costly.”

There is no flexibility in the FQHC PPS.





## Common Myths about the FQHC PPS

**MYTH:** Health centers receive cost based reimbursement.

**REALITY:** *The FQHC PPS is **derived from historical costs**, but updates have **not kept pace** with inflation, or with changes to the range of services FQHCs provide. On average, PPS covers **82 percent** of FQHCs' costs of caring for Medicaid patients.*



## Common Myths about the FQHC PPS

**MYTH:** PPS helps FQHCs pay the costs of caring for the uninsured.

**REALITY:** *The PPS **only** provides reimbursement for Medicaid covered services for Medicaid covered patients. It is **not used** to cover the care for the uninsured, rather, ensures that health centers can efficiently use their Section 330 grant dollars to care for the uninsured.*



## Common Myths about the FQHC PPS

**MYTH:** Health centers are not efficient and are “too costly.”

**REALITY:** *Research shows that health centers reduce total Medicaid spending.*

- *Health center Medicaid patients have **lower utilization of and spending** compared to other Medicaid patients.*
- *FQHCs account for **less than 2 percent of total Medicaid spending**, yet provide care to 16 percent of Medicaid enrollees.*



## Common Myths about the FQHC PPS

**MYTH:** The FQHC PPS prevents health FQHCs from participating in state based payment reform initiatives.

**REALITY:** Federal law allows states to reimburse FQHCs via a PPS or an **Alternative Payment Methodology (APM)**, which allows states to test **new and innovative** payment models, while ensuring that health centers use their grant funds as Congress intended, and provide **high quality care** to their patients.

## **NACHC website**

([www.nachc.org](http://www.nachc.org))

- Fact sheets, state and national data
- Updates from Capitol Hill and the Administration
- State resources
- Important links for more information

## **MyNACHC Learning Center**

([mylearning.nachc.com](http://mylearning.nachc.com))

- Past webinars
- Conference materials



# Contact Information

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