

HOW COMMUNITY HEALTH CENTERS ARE PAID

Community Health Centers, also known as Federally Qualified Health Centers (FQHCs), are required to provide all patients with comprehensive services – from primary care to mental and behavioral health to dental care, as well as a host of other services that include transportation, translation, and case management services. In recognition of the critical role that health centers play and the significant value they deliver for Medicare, Medicaid and CHIP patients, and state programs, Congress created a specific payment methodology for community health centers, called the Prospective Payment System, or PPS. This payment system is crucial to the successful relationship between health centers, Medicaid and Medicare, and to health centers’ continued viability.

Health Centers (FQHCs) are a singular type of Medicaid provider:

- FQHCs are required to offer a full range of primary and preventive services, as well as dental, behavioral and vision services.
- Many services offered by FQHCs are often not covered by Medicaid, such as case management, translation, transportation, and some dental and behavioral health services.
- Each FQHC must be located in an underserved area and care for all, regardless of income or insurance status.
- By law and mission, no FQHC can restrict how many Medicaid patients it treats, even if payment is insufficient.

Congress created FQHC PPS to ensure predictability and stability for health centers while protecting other federal investments:

- Starting in 2001, PPS rates were calculated for each FQHC, based on historical costs of providing comprehensive care to Medicaid patients, to ensure each rate is appropriate and accurate.
- FQHC PPS ensures health centers are not forced to divert their Federal Section 330 grant funds, which support operations and care to the uninsured, to subsidize low Medicaid payments. In Maine, Section 330 funds account for approximately 5-15% of a FQHCs operating budget.

FQHC PPS is a bundled payment that drives efficiency, but is not cost-based reimbursement:

- Rather than being paid fee-for-service, FQHCs receive a single, bundled rate for each qualifying patient visit no matter the intensity of service(s) provided. The bundled, encounter rate includes all services that are “in scope.” If a health center provides a service that they did not add to their scope of practice with HRSA, they would bill fee for service. Unlike Rural Health Clinics (RHCs), for example, this rate does not include a facility fee on top of the bundled rate and health centers cannot charge for each service delivered during the encounter.

Service	FQHC Reimbursement	RHC Reimbursement	Physician Reimbursement	Hospital Affiliated Physician
Well Visit (99396)	Included in Encounter	Included in Encounter	\$ 122.14	\$ 122.14
Removal of multiple skin tags (17110)	Included in Encounter	Included in Encounter	\$ 62.17	\$ 62.17
Removal of ear wax (69210)	Included in Encounter	Included in Encounter	\$ 29.32	\$ 29.32
2022 Average Encounter Rate (T1015)	\$ 184.93	\$ 203.47	\$ -	\$ -
Facility Fee	\$ -	\$ 95.47	\$ -	\$ 95.47
Total Reimbursement	\$ 184.93	\$ 298.94	\$ 213.63	\$ 309.10

- Updates to PPS rates have not kept pace with inflation (averaging only 1.2% over the past 10 years) or with changes to the range of services FQHCs provide – indeed on average, PPS only covers 80% of an FQHCs’ costs of caring for Medicaid patients. In Maine, 100% of Maine FQHC Medicaid rates are less than actual costs/encounter (based on analysis conducted in early 2020.)
- In 2020, the MaineCare rate was below costs by 15-100%

FQHCs and PPS cost Medicaid little, and save much:¹

- FQHCs account for less than 2% of total Medicaid spending, yet provide care to one in every six Medicaid beneficiaries nationally.
- FQHC patients have 24% lower total health care costs than similar non-FQHC patients do.

Current law offers states significant flexibility in how to pay FQHCs:

- Instead of PPS, states may implement an Alternative Payment Methodology (APM) to reimburse FQHCs, as long as each affected FQHC agrees, and total reimbursement is not less than it would have been under PPS.
- More than 20 states currently use an APM to reimburse FQHCs for services to Medicaid patients.
- States and Managed Care Organizations (MCOs) can - and currently do - incorporate FQHCs into value-based payment arrangements, including those involving financial risk related to quality, outcomes, and cost.

¹ https://www.nachc.org/wp-content/uploads/2018/05/Medicaid_FS_5.15.18.pdf