NATIONAL ASSOCIATION OF
Community Health Centers

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Health Center Payment: The Basics

The following is a transcript for the podcast episode, "*Health Center Payment: The Basics.*"

Introduction

KERSTEN BURNS LAUSCH:
Hi, everyone! I am Kersten Burns Lausch, Deputy Director for State Affairs here at the National Association of Community Health Centers. We are here today to talk a little bit about health centers and Medicaid, what makes health centers unique, and the value they bring to their communities. I am very excited to share that I am joined by Susan Sumrell, Deputy Director of Regulatory Affairs, who is going to walk through these issues. Susan, thank you so much for joining us.

SUSAN SUMRELL:
Hi, Kersten. I'm happy to be here with you today!

KERSTEN BURNS LAUSCH:
Now before we get into the details of health centers, I'd love to start at the beginning. What makes a health center?

SUSAN SUMRELL:
Sure! Great place to start. So, health centers, which are also known as Federally Qualified Health Centers or FQHCs, have federal requirements in Section 330 of the Public Health Service Act that they must meet in order to qualify for their grants. They must be open to all, regardless of one's ability to pay; they must offer services on a sliding fee scale; they must be located in a medically underserved area or serving a medically underserved population; and lastly, they must be governed by a patient majority board, which means that their boards are made up of actual health center patients and community members, to ensure that they truly meet the needs of their communities.

KERSTEN BURNS LAUSCH:
I love that. Now, are there any other providers that must meet each of those requirements?

SUSAN SUMRELL:
That's a great question Kersten, but no, they (health centers) are the only group of providers that have these, and additional, requirements set out in federal law.

Quality of Care and Cost Effectiveness of Health Centers

KERSTEN BURNS LAUSCH:
Now I have also heard a lot about the quality of care and the cost effectiveness of health centers. Can you tell me a little bit more about that?

> **SUSAN SUMRELL:**
> Sure! There is a lot of great research out there that points to the high quality of care that health centers provide. In fact, today health centers provide care to 16 percent of all Medicaid beneficiaries, yet account for less than two percent of total Medicaid spending. Past studies document that health centers save the Medicaid program six billion dollars annually and also show that health center patients have lower utilization of spending compared to other providers. In fact, a recent landmark study confirms this fact in thirteen states, showing on average, health center patients costs are just over $2,300 less than non-health center Medicaid patients. That's a 24 percent savings per patient.

Health Centers & Medicare

KERSTEN BURNS LAUSCH:
24 percent per patient! That is amazing! You know, when I think about us here at NACHC, we are very fortunate to be able to work with and visit health centers across the country and really see firsthand the value that they bring to their patients and communities. But thinking about this relationship between health centers and state Medicaid programs really provides a different perspective. Health centers are a great value to the Medicaid program.

So, on top of the talk about the great value health centers bring, there is also a lot of talk about innovation, finding new ways to pay providers to encourage care coordination and better quality is particularly something I feel like I hear a lot about. I would love to talk to you about how health centers fit into that conversation. But before we get there, we have some more basics to cover. Can you tell me a little more about Medicare and Medicaid and how they pay health centers?

> **SUSAN SUMRELL:**
> First off, in Medicare and Medicaid health centers have a unique payment system. They are not paid fee-for-service as other primary care providers may be.

KERSTEN BURNS LAUSCH:
I'm going to interrupt you there. When you say other primary care providers are paid fee for service that means they perform a service and they receive a payment for that individual service? So if I visited, for example, a PCP not at a health center for a checkup and a flu shot, that provider would be paid first a fee for the visit, a fee for the flu shot, and then a fee for each additional service that might be provided while I'm in that doctor's office? Is that right?

> **SUSAN SUMRELL:**
> That's exactly right. It works differently for health centers. Congress created unique Medicare and Medicaid payment in recognition of the health centers role serving both the Medicare and Medicaid patients nationwide. Let's start with Medicare. Medicare is a federal program, which I think you know. There is just one Medicare program for all 50 states. It is a program for individuals 65 and older and

certain individuals with disabilities. Today health centers see just over two million Medicare patients. Health centers have what is called a Prospective Payment System, or PPS, in Medicare, which means they are paid a single comprehensive payment for their FQHC services, instead of multiple payments for each service they provide in a visit as happens in fee-for-service. That single comprehensive rate is adjusted for geography and in some cases, certain types of visits.

KERSTEN BURNS LAUSCH:
If someone is curious about how this Medicare rate is set up or how it works at their health center, where can they learn more about that?

SUSAN SUMRELL:
We have some resources on the NACHC website, also on the MyNACHC Learning Center, and the Centers for Medicare and Medicaid Services (CMS) – the agency that oversees both Medicare and Medicaid - also has some great resources on the Medicare FQHC PPS.

Health Centers & Medicaid

KERSTEN BURNS LAUSCH:
That's really helpful. Thanks, Susan! I appreciate the resource tip. You talked about Medicare. I'd love if you could look at Medicaid, because that's different than Medicare, correct?

SUSAN SUMRELL:
It is. And it's different from the very beginning. Instead of one single federal program like Medicare, Medicaid is a program from low-income and disabled populations and it's what is called a federal-state partnership. This means there are 50+ different Medicaid programs. There are federal requirements that a state must meet in order to receive federal funds but a state also has flexibility to make their Medicaid program their own. This includes things like even the name of the program.

KERSTEN BURNS LAUSCH:
Oh, so programs like TennCare, Bayou Health, MediCal are just the state specific names for Medicaid?

SUSAN SUMRELL:
Yep, that is exactly right. So if you are not sure what your state calls its Medicaid program, it may go by a name that's completely different from "the Medicaid program."

KERSTEN BURNS LAUSCH:
That's really interesting. I love those state facts. You mentioned earlier that this is a federal-state partnership. Could you talk a little bit about what that means for health centers?

SUSAN SUMRELL:
Sure! I knew we would eventually get there! As I mentioned, each state has control over its program and it if meets the federal requirements, it receives federal funds to help cover the costs of the Medicaid program. So today, every state is taking a federal match, so they all are meeting these federal requirements, and important for health centers both the FQHC services and the FQHC payment are

included in those requirements. That is one thing that many folks know, the FQHC Medicaid services and payment is actually written into federal law. So a state is required by law to pay a health center using either a Prospective Payment System (PPS) or Alternative Payment Methodology (APM).

KERSTEN BURNS LAUSCH:
So you said PPS? Is that the same as the Medicare PPS? And then APM? What is that?

SUSAN SUMRELL:
So, I'm sorry! Let's go back to the beginning in Medicaid. Back in 2001 Congress passed a law with support from both Republicans and Democrats saying that state Medicaid programs needed to pay health centers a fair and comprehensive payment. They laid out two options. The first is the prospective payment system, the PPS, which, much like the Medicare payment, is a single comprehensive payment for FQHC services. But, if a state didn't like that methodology, they were able to create an Alternative Payment Methodology. We call this an FQHC APM for short. That FQHC APM could take many different shapes as long as each health center agrees to it and the total payments are at least equal to what the health centers would have received under the PPS rate. So today, actually over 20 states have chosen to implement an APM.

KERSTEN BURNS LAUSCH:
What was Congress's reasoning for creating this separate payment system?

SUSAN SUMRELL:
Well, they wanted to ensure that health centers were able to use their federal grant funds – those Section 330 funds I mentioned even earlier – to care for the uninsured as they are intended to do instead of filling in financial gaps created by poor Medicaid payments.

KERSTEN BURNS LAUSCH:
So that actually brings up a question I get a lot – does your Medicaid PPS help pay for the costs of caring for the uninsured? Could you help me with that?

SUSAN SUMRELL:
I actually get that question quite a bit, too. No, the Medicaid FQHC PPS only provides reimbursement for Medicaid covered services for Medicaid covered patients. It is not used to cover the care for the uninsured. Rather, it ensures that health centers can efficiently use their Section 330 grant dollars to care for the uninsured.

KERSTEN BURNS LAUSCH:
You mentioned earlier that states have a lot of flexibility with how they shape their Medicaid programs. Does the PPS and APM look the alike in every state?

SUSAN SUMRELL:
No, that's the beauty of the federal/state partnership in Medicaid. There are 50 some different Medicaid programs out there today. And like I said, each state must cover the basics, including the FQHC services and payment, but the state has the option to add additional services or providers, meaning that each

Medicaid program truly is unique to its state. There may be some similar provisions across states, but if you are looking for information on Medicaid, it's really important to look at your state specifically.

KERSTEN BURNS LAUSCH:
You mentioned the service and the provider differences. We receive a number of questions about the variation in reimbursable services among states. Like, how many states reimburse health centers for telehealth services? How many allow for health centers to be reimbursed for two visits on the same day? Such as when you go to the doctor and you have a medical visit and then you go and have a dental visit. But, I'd love to focus in on that provider piece. We receive a number of questions about which providers can generate a PPS or APM payment for Medicaid. Could you talk a little about that?

SUSAN SUMRELL:
Sure! So, federal law does outline which providers a Medicaid program must cover at an FQHC and there are six that must be able to generate a PPS or APM payment to a health center. These include physicians, which would either be an MD or a DO; physician assistants; nurse practitioners; certified nurse midwives; psychologists; and clinical social workers. But Medicaid programs past that can decide if they'd like to add additional providers to that list. For example, 20 states have added marriage and family therapists as billable providers and 11 have added licensed addiction counselors.

KERSTEN BURNS LAUSCH:
I often hear the term cost-based thrown around when health center payment is being discussed, and is that what we are talking about when we say PPS or APM?

SUSAN SUMRELL:
The FQHC PPS is derived from the historical costs, but updates have not kept pace with inflation, or with changes to the range of services that they provide. So today on average, the Medicaid PPS covers about 82 percent of the health center's costs of caring for Medicaid patients. And because each APM is unique, some may be based on historical costs, but to date, no state is reimbursing health centers at their actual cost in Medicaid.

KERSTEN BURNS LAUSCH:
That's really helpful to understand. So it is not cost-based and states have flexibility in how they pay health centers via the FQHC APM. But thinking about this, I'm wondering can health centers, with their PPS and APM, participate in new payment and delivery initiatives in their states?

SUSAN SUMRELL:
Oh absolutely! Today health centers across the country are participating in innovative approaches in their states, such as accountable care organizations, also known as ACOs, patient-centered medical home initiatives, and agreements that reward them for their performance. This is also where an APM is helpful. Many states are using or plan to use an APM to allow health centers greater flexibility to innovate, sustain proven clinical practices, and to help their patients live healthier lives. The only requirements in an APM, which are written in the law, are that the health center's total payments are at least equal to what the health centers would have received under the PPS and that each health center must agree to it.

Final Thoughts

KERSTEN BURNS LAUSCH:
Susan, I am going to stop peppering you with questions. This has been really helpful, and I'm glad we've had a chance to go over some of these Medicaid and Medicare basics as they relate to health centers. I think there is a lot of good information here, but what if someone has additional questions?

> **SUSAN SUMRELL:**
> Sure! If you have questions on the federal requirements of Medicare or Medicaid, you can contact us here at NACHC. We have a whole team of folks that can help you and answer your questions. If you have a detailed question about how your Medicaid program is paying your health centers for a specific service in your state, your state's Primary Care Association (PCA) is a great place to start with those questions. Thanks for having me today, Kersten! This has been a great conversation.

KERSTEN BURNS LAUSCH:
Thank you so much, Susan! I really appreciated it. And thank you all for joining us on NACHC News. For more information, visit www.nachc.org.

Do you want to keep up with the latest health center news? You can follow us on twitter @nachc. The music on this podcast is from Ben Sound at www.bensound.com.

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