

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services



MLN Matters® Number: MM9831 **Revised** Related Change Request (CR) #: CR 9831

Related CR Release Date: January 4, 2017 Effective Date: January 1, 2017

Related CR Transmittal #: R3688CP Implementation Date: January 3, 2017

Update to the Federally Qualified Health Centers (FQHC) Prospective Payment System (PPS) - Recurring File Updates

Note: This article was revised on January 5, 2017, to reflect the revised CR9831 issued on January 4. The CR revision corrected a typographical error in the FY2015 payment rate for grandfathered tribal FQHCs. In addition, the CR release date, transmittal number, and the Web address for accessing the CR are revised. All other information remains the same.

Provider Types Affected

This MLN Matters® Article is intended for Federally Qualified Health Centers (FQHCs) submitting claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

Provider Action Needed

Change Request (CR) 9831 updates the FQHC PPS base payment rate and the Geographic Adjustment Factors (GAFs) for the FQHC Pricer for Calendar Year (CY) 2017. Please ensure your billing staffs are aware of these changes.

Background

Payment for FQHCs under the Prospective Payment System (PPS)

The Affordable Care Act (Section 10501(i)(3)(A); [Pub. L. 111-148](#) and [Pub. L. 111-152](#)) added [Section 1834\(o\)](#) of the Social Security Act to establish a payment system for the costs of FQHC services under Medicare Part B based on prospectively set rates. In the PPS for FQHC Final Rule published in the May 2, 2014, Federal Register ([79 FR 25436](#)), the Centers for Medicare & Medicaid Services (CMS) implemented a methodology and payment rates for FQHCs under the PPS beginning on October 1, 2014.

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Payment for Grandfathered Tribal Federally Qualified Health Centers (FQHCs) that were Provider-Based Clinics on or Before April 7, 2000

Effective for dates of service on or after January 1, 2016, Indian Health Service (IHS) and tribal facilities and organizations that met the conditions of Section 413.65(m) on or before April 7, 2000, and have a change in their status on or after April 7, 2000 from IHS to tribal operation, or vice versa, or the realignment of a facility from one IHS or tribal hospital to another IHS or tribal hospital such that the organization no longer meets the Conditions of Participation (CoPs), may seek to become certified as grandfathered tribal FQHCs. These grandfathered tribal FQHCs would be required to meet all FQHC certification and payment requirements. The grandfathered PPS rate equals the Medicare outpatient per visit payment rate paid to them as a provider-based department, as set annually by the IHS.

FQHC PPS Rate

Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for all FQHC services furnished to a beneficiary on the same day when a medically-necessary, face-to-face FQHC visit is furnished to a Medicare beneficiary. The Social Security Act (Section 1834(o)(2)(B)(ii)) requires that the payment for the first year after the implementation year be increased by the percentage increase in the Medicare Economic Index (MEI). The Social Security Act (Section 1834(o)(2)(B)(ii)) also requires that in subsequent years, the FQHC PPS base payment rate will be increased by the percentage increase in a market basket of FQHC goods and services, or if such an index is not available, by the percentage increase in the MEI. In the Calendar Year (CY) 2017 Physician Fee Schedule (PFS) Final Rule, CMS finalized a proposal to update the FQHC PPS base payment rate using a 2013-based FQHC market basket.

- Based on historical data through second quarter 2016, the final FQHC market basket for CY 2017 is 1.8 percent.
- From January 1, 2017, through December 31, 2017, the FQHC PPS base payment rate is \$163.49.
- The 2017 base payment rate reflects a 1.8 percent increase above the 2016 base payment rate of \$160.60.

In accordance with the Social Security Act (Section 1834(o)(1)(A)), the FQHC PPS base rate is adjusted for each FQHC by the FQHC GAF, based on the Geographic Practice Cost Indices (GPCIs) used to adjust payment under the PFS. The FQHC GAF is adapted from the work and practice expense GPCIs, and are updated when the work and practice expense GPCIs are updated for the PFS. For CY 2017, the FQHC GAFs have been updated in order to be consistent with the statutory requirements.

Grandfathered Tribal FQHC PPS Rate

Grandfathered tribal FQHCs are paid the lesser of their charges or a grandfathered tribal FQHC PPS rate for all FQHC services furnished to a beneficiary during a medically-necessary, face-to-face FQHC visit. From January 1, 2016, through December 31, 2016, the

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grandfathered tribal FQHC PPS rate is \$324. FQHC claims (TOB 77X) for grandfathered tribal FQHCs submitted with dates of service on or after January 1, 2016, through December 31, 2016 paid at the CY 2015 rate of \$307 must be adjusted and paid at the CY 2016 rate of \$324. Grandfathered tribal FQHC claims with dates of service on or after January 1, 2017, through December 31, 2017, should be paid at the CY 2016 rate of \$324 until CMS provides an updated payment rate for CY 2017. The grandfathered tribal FQHC PPS rate will not be adjusted by the FQHC PPS GAFs or be eligible for the special payment adjustments under the FQHC PPS for new patients, patients receiving an IPPE or an AWV. The rate is also ineligible for exceptions to the single per diem payment that is available to FQHCs paid under the FQHC PPS. In addition, the FQHC market basket adjustment that is applied annually to the FQHC PPS base rate, will not apply to the grandfathered tribal FQHC PPS rate.

Additional Information

The official instruction, CR9831, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2017Downloads/R3688CP.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Review-Contractor-Directory-Interactive-Map/>.

Document History

- January 5, 2017 - Article revised to reflect a revised CR9831. The CR was revised to correct a typographical error in the FY2015 payment rate for grandfathered tribal FQHCs.
- November 15, 2016 - Initial Issuance

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