



## Update to the Federally Qualified Health Center (FQHC) Prospective Payment System (PPS) for Calendar Year (CY) 2018 - Recurring File Update

MLN Matters Number: MM10480 **Revised**

Related Change Request (CR) Number: 10480

Related CR Release Date: February 23, 2018

Effective Date: April 1, 2018

Related CR Transmittal Number: R3982CP

Implementation Date: April 2, 2018

**Note: This article was revised on February 23, 2018, to reflect the revised CR10480 issued on February 23. The article was revised to include further information in the background section, regarding payment methodology for FQHCs under the PPS.**

### PROVIDER TYPE AFFECTED

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

### PROVIDER ACTION NEEDED

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Change Request (CR) 10480 updates the Federally Qualified Health Center Prospective Payment System (FQHC PPS) grandfathered tribal FQHC base payment rate and the Geographic Adjustment Factors (GAFs) for the FQHC Pricer. Make sure your billing staffs are aware of these changes.

### BACKGROUND

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#### Payment for FQHCs under the Prospective Payment System (PPS)

Section 10501(i)(3)(A) of the Affordable Care Act (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. Note that:

- 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.

- Beginning in 2017, the FQHC PPS rate is updated annually by the FQHC market basket. Based on historical data through second quarter 2017, the FQHC market basket for Calendar Year (CY) 2018 is 1.9 percent.
- From January 1, 2018 through December 31, 2018, the FQHC PPS base payment rate is \$166.60. The 2018 base payment rate reflects a 1.9 percent increase above the 2017 base payment rate of \$163.49.
- In accordance with Section 1834(o)(1)(A) of the Act, The FQHC PPS base rate is adjusted for each FQHC by the FQHC Geographic Adjustment Factor (GAF), based on the Geographic Practice Cost Indices (GPCIs) used to adjust payment under the Physician Fee Schedule (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.
- The Bipartisan Budget Act of 2018 revised the CY 2018 Work GPCI floor. Therefore, the FQHC GAFs have been updated in order to be consistent with the statutory requirements.

### **Payment for Grandfathered Tribal 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 may seek to become certified as grandfathered tribal FQHCs, if they:

1. Met the conditions of 42 CFR Section 413.65(m), which is available at [https://www.ecfr.gov/cgi-bin/text-idx?SID=19dd7fa703112dee60510c39b8c4c2ae&mc=true&node=pt42.2.413&rgn=div5#se4.2.2.413\\_165](https://www.ecfr.gov/cgi-bin/text-idx?SID=19dd7fa703112dee60510c39b8c4c2ae&mc=true&node=pt42.2.413&rgn=div5#se4.2.2.413_165), on or before April 7, 2000, and
2. 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).

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.

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. Note that:

- From January 1, 2018, through December 31, 2018, the grandfathered tribal FQHC PPS rate is \$383.
- FQHC claims (TOB 77X) for grandfathered tribal FQHCs submitted with dates of service on or after January 1, 2018, through March 31, 2018, paid at the Calendar Year (CY) 2017 rate of \$349 must be adjusted and paid at the CY 2018 rate of \$383. These adjustments will be completed 90 days after the implementation of CR10480.
- Grandfathered tribal FQHC claims with dates of service on or after January 1, 2019, through December 31, 2019, should be paid at the CY 2018 rate of \$383 until the Centers for Medicare & Medicaid Services (CMS) provides an updated payment rate for CY 2019.

The grandfathered tribal FQHC PPS rate will not be adjusted by the FQHC GAFs or be eligible for the special payment adjustments under the FQHC PPS for new patients, patients receiving an Initial Preventive Physical Examination (IPPE) or an Annual Wellness Visit (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, CR10480, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R3982CP.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

Date of Change	Description
February 23, 2018	The article was revised to reflect a revised CR10480, which added further background information on the FQHC PPS rate and FQHC GAFs.
February 9, 2018	Initial article released.

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