

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 10498	Date: December 4, 2020
	Change Request 12046

SUBJECT: Update to the Federally Qualified Health Center (FQHC) Prospective Payment System (PPS) for Calendar Year (CY) 2021 - Recurring File Update

I. SUMMARY OF CHANGES: This Change Request (CR) updates the Prospective Payment System (PPS) base payment rate and the Geographic Adjustment Factors (GAFs) for the Federally Qualified Health Center (FQHC) Pricer.

EFFECTIVE DATE: January 1, 2021

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: January 4, 2021

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Attachment - Recurring Update Notification

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I. GENERAL INFORMATION

A. Background: 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 Act to establish a payment system for the costs of Federally Qualified Health Center (FQHC) services under Medicare Part B based on prospectively set rates. In the Prospective Payment System (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.

B. Policy: 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. Section 1834(o)(2)(B)(ii) of the Act requires that the payment for the first year after the implementation year be increased by the percentage increase in the Medicare Economic Index (MEI). 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.

Beginning in 2017, the FQHC PPS rate is updated annually by the FQHC market basket. Based on historical data through second quarter 2020, the FQHC market basket for Calendar Year (CY) 2021 is 1.7 percent. From January 1, 2021 through December 31, 2021, the FQHC PPS base payment rate is \$176.45. The 2021 base payment rate reflects a 1.7 percent increase above the 2020 base payment rate of \$173.50.

Market Basket Update

In the CY 2021 Physician Fee Schedule Final Rule, CMS finalized the proposal to rebase and revise the FQHC market basket to reflect a 2017 base year; the current FQHC market basket reflects a 2013 base year.

Below are key features of the finalized 2017-based FQHC market basket:

- Derive the major cost weights (Wages and Salaries, Employee Benefits, Contract Labor, Pharmaceuticals, Medical Supplies, and Capital) and a residual category using the 2017 Medicare Cost Report (MCR) data for FQHCs.
- Reflects a modified methodology of using the net expenses (reflecting reclassifications and adjustments) rather than total expenses from the Medicare cost reports.
- Incorporates the 2012 Benchmark Input-Output (IO) data as published by the U.S. Census Bureau, Bureau of Economic Analysis.

More detail can be found in the final rule.

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. For CY 2021, the FQHC PPS GAFs have been updated in order to be consistent with the statutory requirements.

Contractors shall load the FQHC Pricer effective January 1, 2021.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility									
		A/B MAC			D M E M A C	Shared-System Maintainers				Other	
		A	B	H H H		F I S S	M C S	V M S	C W F		
12046.1	Contractors shall load the FQHC Pricer effective January 1, 2021.					X					

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
12046.2	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the "MLN Matters" listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.	X				

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
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Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Glenn McGuirk, 410-786-5723 or Glenn.McGuirk@cms.hhs.gov , Tracey Mackey, 410-786-5736 or Tracey.Mackey@cms.hhs.gov , Lisa Parker, 410-786-4949 or Lisa.PArker1@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

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ATTACHMENTS: 0