Program Memorandum Intermediaries

Department of Health & Human Services (DHHS)
Centers for Medicare & Medicaid Services

Transmittal A-01-138 **Date: DECEMBER 6, 2001**

CHANGE REQUEST 1958

SUBJECT: Announcement of Medicare Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs) Payment Rate Increases, Changes to the Exception Criteria for the Payment Limit for RHC Based in Rural Hospitals.

Change in FQHC and RHC Payment Rates

RHCs:

For calendar year (CY) 2002, the RHC upper payment limit per visit is increased to $64.78 effective January 1, 2002 through December 31, 2002. The 2002 rate reflects a 2.6 percent increase over the 2001 payment limit in accordance with the rate of increase in the Medicare Economic Index (MEI) as authorized by §1833(f) of the Social Security Act.

FQHCs:

For CY 2002, the FQHC upper payment limit per visit for urban FQHCs is increased to $100.57 effective January 1, 2002 through December 31, 2002, and the maximum Medicare payment limit per visit for rural FQHCs is increased to $86.47 effective January 1, 2002 through December 31, 2002. The 2002 FQHC rates reflect a 2.6 percent increase over the 2001 rates, in accordance with the rate of increase in the MEI.

The effective date of January 1, 2002, is necessary in order to update FQHC and RHC payment rates in accordance with §1833(f) of the Act. To avoid unnecessary administrative burden, the intermediary should not retroactively adjust individual RHC/FQHC bills paid at previous upper payment limits.

The intermediary does, however, retain the discretion to make adjustments to the interim payment rate or a lump sum adjustment to total payments already made to take into account any excess or deficiency in payments to date. (See §504.2 of the *Medicare Rural Health Clinic and Federally Qualified Health Center Manual*.)

Payment Limit for RHCs based in Rural Hospitals

The Balanced Budget Act (BBA) required the use of the independent RHC per visit payment methodology and upper payment limit for provider-based RHCs. It also permits an exception to the upper payment limit for RHCs based in small hospitals of less than 50 beds.

To implement §4205 of the BBA, CMS directed intermediaries to use the bed definition (staffed) at 42 CFR 412.105(b) to determine which RHCs are eligible for the exception. Shortly following the implementation of the BBA provision, CMS announced an alternative bed size definition for very rural, sole community hospitals with seasonal fluctuations in patient census. This alternative bed size definition was established by a memorandum, dated September 30, 1998, issued to all associate regional administrators. This memorandum set forth the alternative definition as well as four specific provider qualification conditions for applying it. The alternative definition and its qualifying conditions are as follows: A hospital-based RHC can receive an exception to the per-visit payment limit if its hospital has fewer than 50 beds as determined by using the hospital's average daily census count and the hospital meets all of the following conditions:

A) It is a sole community hospital.

B) It is located in an 8-level or 9-level nonmetropolitan county using urban influence codes as defined by the U.S. Department of Agriculture.

C) It has an average daily patient census that does not exceed 40.

D) It has significant fluctuations in its average daily census to the extent that the average daily census for 1 or more months is at least 150 percent of the lowest monthly average daily census.

We are now modifying this alternative bed size definition so that RHCs based in very rural, sole community hospitals can qualify for the exception. The new alternative bed size definition, effective for cost reporting periods ending on or after June 30, 2001, is as follows: A hospital-based RHC can receive an exception to the per-visit payment limit if its hospital has fewer than 50 beds as determined by using the hospital's average daily census count and the hospital meets all of the following conditions:

A) It is a sole community hospital.

B) It is located in an 8-level or 9-level nonmetropolitan county using urban influence codes as defined by the U.S. Department of Agriculture.

C) It has an average daily patient census that does not exceed 40.

Promptly notify all RHCs/FQHCs of these changes. The effective dates for this PM are various dates as stated in the PM.

Implementation Dates:

Change in FQHC and RHC payment rates – at tentative or final cost settlement. Exception to the payment cap for RHC based in rural hospitals – at tentative or final cost settlement.

For questions pertaining to payment and coverage, contact David Worgo, on (410) 786-5919. For questions concerning claims processing, contact Gertrude Saunders (410) 786-5888.

This PM may be discarded after January 31, 2003.